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1986
Financial Condition
of
Medical Malpractice JUAs

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Executive Summary

The financial condition of ten medical malpractice JUAs established in the late 1970s is of continuing concern to the property/casualty insurance industry. These JUAs provide professional liability coverage for health care providers in Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, and Wisconsin. Based on their 1986 results, only one, Pennsylvania, reported a statutory surplus. Florida and Kansas each reported a zero dollar surplus. The other seven reported statutory deficits ranging from $2.9 million in Texas to $710 million in Massachusetts. In the seven states with deficits, insurers can be assessed to cover the deficits, although to date no JUA, except Texas, has assessed insurers.

In response to this and other concerns, the National Coordinating Committee on Medical Malpractice JUAs was reactivated in 1985. The Committee was originally created in the late 1970s to assist the fledgling medical malpractice JUAs and later deactivated. Upon reactivation, the Committee established the Financial Data Subcommittee to examine the financial condition of medical malpractice JUAs. The Subcommittee was specifically charged to collect data on the financial condition of each JUA and to issue a report accurately reflecting each JUA's financial condition. In the Fall of 1986, the Subcommittee began its first study. Data was collected from the JUAs, and a report was published in June 1987 entitled, *Financial Condition of Medical Malpractice JUAs*. The major finding was that the invested assets of five JUAs were insufficient to pay all existing claim liabilities even after taking into consideration the investment income expected to be earned on those invested assets.

In the Summer of 1987, the Subcommittee decided to update the earlier report using 1986 data. As with the first study, the amount of data supplied by the JUAs varied resulting in the analysis not being a thorough for some JUAs. The analysis for each JUA concentrates on assets, cash flow, statutory reserves, discounted reserves, and rate filing history.

The results of this study that are based on the discounted reserves need to be interpreted as conservative results in that the discounted reserves are very sensitive to the assumptions behind the discounting. If the assumptions behind the discounting prove to be optimistic, JUAs appearing to have sufficient funds to pay claim liabilities may not, and JUAs appearing to have insufficient funds to pay claim liabilities will have even larger shortages.

Major Findings

- The same five JUAs, Massachusetts, New Hampshire, New York, Rhode Island, and South Carolina, that in 1985 were estimated to have insufficient funds to pay all existing claim liabilities even after taking into consideration the investment income to be earned on current assets, continue to have insufficient funds. The deficiency in Massachusetts doubled from $182.3 million in 1985 to $365.3 million in 1986. The deficiency in the New York JUA increased from $4.4 million to $132.5 million. The deficiency in Rhode Island increased from $78.5 million to $81.2 million. The deficiencies in the other two states declined somewhat in 1986.

Deficiency in Millions

JUA	1986	1985
Massachusetts	$365.3	$182.3
New York	132.5	4.4
Rhode Island	81.2	78.5
New Hampshire	6.3	10.3
South Carolina	3.5	4.1

The deficiencies will increase if current reserves are understated, current investment yields are not maintained, claims are paid sooner than expected, or if securities have to be sold for less than full value.

The other five JUAs, Florida, Kansas, Pennsylvania, Texas, and Wisconsin, appear to currently have sufficient funds to pay existing claim liabilities if future investment income expected to be earned on current funds is taken into consideration. Deficiencies, howev-

er, could quickly develop for any of these JUAs if reserves are understated, current investment yields are not maintained, claims are paid sooner than expected, or if securities have to be sold at less than full value in order to pay claims.

Additional Findings

Other findings include:

- Market Share - The market share for most JUAs did not change significantly between 1985 and 1986. Three JUAs, Florida, New York, and Wisconsin, saw their market shares almost double.

Market Share

JUA	1986	1985
Florida	10.5%	5.5%
Kansas	3.1%	3.8%
Massachusetts	69.0%	73.0%
New Hampshire	53.2%	56.1%
New York	21.6%	12.5%
Pennsylvania	3.4%	3.2%
Rhode Island	82.6%	87.4%
South Carolina	47.0%	52.4%
Texas	13.2%	11.8%
Wisconsin	34.8%	20.7%

- Assets - Government bonds usually comprise the major share of JUA invested assets. The balance of the invested assets is almost always in cash and in short-term investments. Little change in the portfolio distribution occurred between 1985 and 1986 except in Wisconsin.

Portfolio Distribution
Bonds

JUA	1986	1985
Florida	95%	88%
Kansas	0%	0%
Massachusetts	97%	97%
New Hampshire	70%	74%
New York	94%	92%
Pennsylvania	94%	87%
Rhode Island	86%	86%
South Carolina	88%	96%
Texas	91%	81%
Wisconsin	90%	54%

- Investment Yields - The investment yield for all JUAs, except South Carolina and Wisconsin, dropped between 1985 and 1986.

Investment Yield

JUA	1986	1985
Florida	8.7%	10.6%
Massachusetts	9.4%	10.7%
New Hampshire	7.8%	9.9%
New York	8.5%	11.2%
Pennsylvania	7.7%	9.0%
Rhode Island	8.7%	9.0%
South Carolina	10.6%	10.6%
Texas	9.0%	10.3%
Wisconsin	8.5%	8.1%

- Cash Flow - All JUAs reporting 1986 data had positive cash flow. Five states, Florida, Pennsylvania, Rhode Island, Texas, and Wisconsin, had improved cash flow while the other states had lower cash flow.

Cash Flow
($ in Thousands)

JUA	1986	1985
Florida	$13,270	($ 1,062)
Kansas	N/A	($ 1,937)
Massachusetts	$11,089	$32,012
New Hampshire	$ 6,873	$ 8,954
New York	$30,452	$77,942
Pennsylvania	$ 3,502	$ 3,167
Rhode Island	$13,368	$ 6,000
South Carolina	$ 616	$ 1,446
Texas	$ 9,677	$ 4,627
Wisconsin	$ 4,787	($ 724)

- Developed Reserve - Reserve developments indicate that the initial accident-year loss and loss adjustment expense reserves established by the JUAs have almost always proved to be too low.

Reserve Development
($ in Millions)

JUA	Total Deficiency Since Inception	Deficiency as % of Original Reserve
Florida	$ 32.1	40.2%
New Hampshire	($ 4.1)	(9.1%)
New York	$190.9	27.6%
Rhode Island	$ 16.8	10.2%
South Carolina	$ 6.5	12.8%
Texas	$ 26.7	25.7%

Introduction

In response to the medical malpractice crisis of the mid-1970's, many states enacted laws allowing the insurance commissioner to establish a JUA if the commissioner deemed it necessary in order to provide medical malpractice coverage for health care providers. Ten of the medical malpractice JUAs established in the late 1970's still offer coverage to health care providers. These JUAs exist in Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, and Wisconsin. The market shares for these JUAs range from 3% to more than 80%. Virginia, Minnesota, and Puerto Rico established medical malpractice JUAs in 1986, but they are not included in this study because of their recency.

When the National Coordinating Committee on Medical Malpractice JUAs was reactivated in 1985, one of its main concerns was the financial stability of the medical malpractice JUAs. All states except Kansas and Pennsylvania currently have provisions to assess insurers to cover unfunded JUA liabilities. A review of the JUA 1986 statutory results below illustrates the potential magnitude of the possible assessments. The deficits ranged from more than six million to several hundred million dollars.

In response to this concern, the Committee created the Financial Data Subcommittee charging it with the responsibility of collecting data on the financial condition of each medical malpractice JUA and issuing a report accurately reflecting each JUA's financial condition.

After reviewing existing public documents including annual statements and financial reports, the Subcommittee concluded that additional data was needed to fulfill its charge. To this end, the Subcommittee designed a survey to collect data regarding historical claim payments, anticipated reserve runoff, reserve development, claim detail, investment data, and rate filing history in addition to selected annual statement data items. The form was sent to each of the ten JUAs. Six JUAs, Florida, New Hampshire, New York, Rhode Island, South Carolina, and Texas, completed and returned the entire questionnaire. For various reasons the remaining four JUAs, Kansas, Massachusetts, Pennsylvania, and Wisconsin, supplied only annual statement data. The data was analyzed and the results were reported in *Financial Condition of Medical Malpractice JUAs*.

Subsequently, the JUAs (except Kansas which had no more recent data) were requested

Statutory Balance Sheet for Medical Malpractice JUAs

(dollars in thousands)

State	Statement Date	Assets	Liabilities	Statutory Surplus
Florida	12/86	$ 50,248	$ 50,248	$ 0
Kansas	6/86	5,895	5,895	0
Massachusetts	12/86	362,239	1,072,773	(710,534)
New Hampshire	12/86	35,237	61,768	(26,531)
New York	12/86	528,790	1,037,234	(508,504)
Pennsylvania	12/86	53,549	52,853	696
Rhode Island	12/86	68,492	227,817	(159,326)
South Carolina	6/86	19,777	40,101	(20,325)
Texas	12/86	100,911	103,784	(2,873)
Wisconsin	12/86	74,503	99,040	(24,537)

to submit similar data for 1986. The response was similar with the addition of Wisconsin supplying more claim data. This report analyses that data.

The analysis for each JUA concentrates on:

- Assets - including portfolio mix, investment quality, yield, and bond maturity.

- Cash Flow - including income and expenditure components.

- Statutory Reserves - including pending claim reserves (reserves for claims actually reported to the JUAs, but not yet settled) IBNR claim reserves, loss adjustment expense reserves, pending claims, average pending claim size, and developed reserve as of the latest valuation date.

- Discounted Loss and Loss Adjustment Expense Reserves - Including comparison to invested assets. and an estimate of when invested assets can be expected to be exhausted if (1) the discounted reserve is larger than the invested assets and (2) the JUA has no additional income.

- Rate Filing History - including a comparison of requested rate changes to approved rate changes.

The most critical part of the analysis is the discounting of loss and loss adjustment expense reserves. Discounting provides an estimate of the current amount of funds which if invested will be sufficient to pay current liabilities as they become payable in the future. If the discounted value is less than current funds, all future payments can be expected to be made. If the discounted value is greater than current funds, funds can be expected to be exhausted before all claims are paid. In the latter case, insurers may have to provide the additional money to pay the claims.

Four critical assumptions are inherent to discounting. The discounting assumptions are:

- The total loss and loss adjustment expense reserve is adequate. This may be an optimistic assumption given that, historically, initial reserves have proved to be inadequate. If current reserves are inadequate, the discounted value of the future payments is understated.

- The reserve runoff will occur as predicted. If claims are paid sooner than expected, the discounted reserve will be understated.

- The embedded yield (weighted average return) on the bond portfolio will be obtained throughout the runoff period. This assumption may be somewhat optimistic. For most states the current embedded yields are 8%-9%. The bonds for most JUAs will mature before the funds are needed to pay claims. The funds, therefore, will have to be reinvested. If the yields then available are less than current embedded yields, the JUAs will not be able to reinvest the funds at rates sufficiently high enough to maintain the current embedded yield. If the JUAs cannot maintain their current embedded yields, the discounted reserve will be understated.

- The JUA will be able to obtain full value for its bonds. For most JUAs, bond maturity is sooner than when liabilities are due. Over the next two or three years most JUAs should receive full value for their current bond holdings. If JUAs reinvest in securities that mature as liabilities fall due, they should receive the full value of their investments. If they do not reinvest so that maturities match when liabilities are due, they may have to sell securities at less than their full value. The discounting assumes bond maturity will match when liabilities are due.

Understated discounted reserves will have a negative impact on results. If a JUA appears to have sufficient funds to pay claim liabilities, the funds may not be sufficient if discounted reserves are understated. If a JUA appears to have insufficient funds to pay claim liabilities, the deficiency will be larger if discounted reserves are understated.

The discounted reserve is compared to invested assets in order to determine if assets on hand are sufficient to meet the future runoff. Other assets exist, usually premium balances and accrued interest which, when received, would be available for investment purposes or the payment of claims. Invested assets are used because they represent funds the JUAs actually hold.

The remainder of the report contains three sections. Immediately following is the detailed analysis of each JUA. This section contains a separate analysis of each JUA. The next section contains exhibits displaying the 1986 data referred to in the first section. Each exhibit contains data for all JUAs in order to facilitate comparisons. The last section contains exhibits from the first study displaying 1985 data.

Florida Medical Malpractice JUA

History

The Florida JUA was activated July 1, 1975. Members include all liability insurers, medical malpractice insurers, and certain self-insurers. The JUA was established to provide coverage for all health care providers. The JUA currently has 10.5% of the medical malpractice market share based on premiums (Exhibit 1) which is about double the 5.5% share in 1985.

Funding and Deficit Provisions

Funds for the JUA come from 1) policyholder premiums, 2) policyholder assessments, and 3) member assessments. If a deficit occurs, policyholders could be assessed up to one-third of their annual premium. If this assessment is not sufficient to cover the deficit, insurer members are assessed based on their total premium volume in the state. There is no provision for the insurers to recoup their assessment.

Balance Sheet

As of year-end 1986, the Florida JUA balance sheet showed assets and liabilities of $50.2 million resulting in no surplus. (See Exhibit 2). These figures are up more than a 30% from 1985. The Florida JUA accounting procedures are unique in that the unearned premium reserve includes not only the traditional unearned premium reserve but also any refund due the policyholders or any deficit accrued by the JUA. As a result, the JUA always has a surplus of zero. These accounting principles are prescribed by the insurance department.

Assets

Of the $50.2 million in assets, $47.1 million are invested. (See Exhibit 3). Of this amount, $44.8 million is invested in bonds. The balance, $2.3 million, is held in cash. The bonds have an embedded (weighted average) yield of 8.69%, which is down almost 2 points from 1985. Most of the bonds, $25.5 million, are government bonds. The balance of $19.3 million is non-government bonds. Of this amount all but $1 million is rated A or better by Moody. Premium balances, $2.3 million, and interest income due and accrued, $0.8 million, comprise the non-invested assets of the JUA.

Cash Flow

In 1986, the Florida JUA had a $13.3 million positive cash flow (Exhibit 4) which was up substantially from the negative $1.0 million in 1985. The increase is due to premiums being up substantially while paid claims declined. JUA income totaled $24.7 million with $20.7 million from premiums ($8.0 million in 1985) and $4.0 million from investment income ($5.2 million in 1985). Expenditures were $11.5 million of which $4.3 million went for claim payments ($9.3 million in 1985), $5.2 million went for loss adjustment expenses ($4.0 million in 1985) and $2.0 went for other expenses ($0.8 million in 1985).

Statutory Reserves

As of year-end 1986, the JUA reported loss and loss adjustment expense reserves of $51.5 million (Exhibit 5), up 64.0% from 1985. Almost $38 million of this amount was for claim reserves, and $13.5 million was for loss adjustment expense reserves. Claim reserves are up 59.4%, while loss adjustment expenses are up 80.0%. The claim reserve is comprised of two segments - $22.7 million for pending claims (i.e., claims reported to the JUA that are not yet settled), $15.3 million is for IBNR claims. The 1986 IBNR is more than three times the 1985 IBNR reserves, while the pending reserve is up 20.0%.

Reserve Development

In 1986, reserves for claims incurred prior to fiscal year 1986 were increased $4.5 million. (See Exhibit 7A). Reserves for fiscal accident-years ending 1976-1979 were increased between $100-$150 thousand for each year. Reserves for fiscal accident-years ending 1980-1983 were increased between $640-$700 thousand for each year. For fiscal accident-years ending 1984-1986, reserves were increased between $400-$500 thousand for each year.

Accident-year reserve developments in Florida have been very unusual compared to other JUAs studied in that the original accident-year reserves have ranged from $2.5 million too high to $14.9 million too low. There has also been a substantial fluctuation from year to year in the size of the developed accident-year reserve. A developed accident-year reserve is the accident-year reserve that would have been established at the end of the accident-year if what is known now about actual payments and current reserve estimates had been known at the time the accident-year reserve was established. The developed accident-year reserve is the sum of the payments since the end of the accident-year for claims incurred in the accident-year plus the current reserve on claims incurred in the accident-year.

For the first fiscal year, 1975-1976, the developed reserve is estimated to be $7.4 million. The developed fiscal accident-year reserve fell for the next two years to $6.4 million and then rapidly increased over the next four years to $19.3 million in 1982. Subsequently, the developed fiscal accident-year reserve fell to $7.4 million in 1985, while the 1986 fiscal accident-year reserve is again up to $10.7 million. A detailed analysis of the number of claims, number of insureds, and the size of the claims for each of those years would be necessary in order to understand this substantial variation in the developed accident-year reserves.

Claim Payout

The median time to pay half of the ultimate incurred losses (the total amount expected to be paid for any accident-year) in Florida changed little in 1986 (3.0 years in 1986 vs 3.1 years in 1985), and is still the shortest of any state. (See Exhibit 8). Despite the unusual accident-year reserve development, the payout pattern has been consistent for most years. (See Exhibit 9A). For most years the median time is between 2.9 and 3.0 years. The consistency, however, is largely due to the estimated reserve runoff patterns being the same for each accident-year. Only after several more years have passed will changes in the runoff patterns be seen.

Discounted Reserves

With $47.1 million in invested assets and $51.5 million in outstanding claims, it would appear that the JUA does not have sufficient funds to meet its obligations. Considering the investment income to be earned on the invested assets, however, the JUA may have enough to meet its obligations.

Assuming (1) the current reserve estimate is adequate, (2) the estimated runoff pattern is reasonably accurate, (3) investments will continue to earn their current rate, and (4) full value of the invested assets will be received if forced to sell before maturity, an estimate of how much has to be set aside today in order to meet those loss payments and loss adjustment expense payments can be made. The amount to set aside, or present value, is $42.9 million or $4.2 million less than the invested assets. (See Exhibit 10). It would appear, therefore, that if all the assumptions prove to be accurate, invested assets in the Florida JUA are sufficient to meet future payment obligations.

If these assumptions, however, do not hold, the JUA may not have sufficient funds. For instance, if reserves prove to be inadequate by as little as 10% (the amount reserves were strengthened in 1986), the $4.2 million cushion is eliminated, and the value of the current investments plus investment income would be insufficient by $100,000 to pay current obligations. If the JUA can not maintain its current embedded yield of 8.69% and realizes 7.5% instead, the cushion drops to $3.2 million. If both happen, the cushion would disappear, and the value of current invested assets plus future investment income would be $1.2 million short of covering current obligations.

Rate Filing

The Florida JUA has always received timely approval for requested rate changes except for 1986. (See Exhibit 12A). For the years 1978 to 1980 physician and surgeon rates decreased, although physician and surgeon rates increased annually from 10% for 1981 to 77.6% for 1984. For 1985, the filed and approved rate increase was 46.4%. For 1986, a 20% increase was

requested, but only 10% was approved. The rate filing history for hospitals and other facilities is similar to that for physicians. Rates decreased between 1978 and 1980 and then increased substantially. For 1986, a 99% increase was requested, but only 45% was approved.

Conclusion

The financial condition of the Florida JUA is not strong. If reserves are discounted, current invested assets are sufficient to cover the existing claim liability. If current yields aren't maintained and reserves are inadequate, current invested assets will not be sufficient to cover existing claim liabilities.

Kansas Medical Malpractice JUA

The latest available information is for the fiscal year ending June 30, 1986, which was reported and analyzed in the original report. What follows is taken from the original report.

History

The Kansas JUA became operational July 1, 1976. Members include all liability insurers. The JUA was established to provide insurance to all health care providers in the state. The JUA currently writes about 3% of the medical malpractice market based on premium volume. (See Exhibit 1).

Funding and Deficit Provisions

Funding is from three sources: 1) policyholder premiums, 2) Health Care Stabilization Fund, and 3) taxpayers. If a deficit occurs in the JUA, the Health Care Stabilization Fund, financed through service charges on health care provider annual premiums, is responsible for the deficit. If the Health Care Stabilization Fund cannot cover the deficit, the state general fund is to cover the deficiency. Any amount transferred from the state to the fund is supposed to be repaid. To date, the Stabilization Fund has had sufficient funds to meet the JUA deficit. This study did not collect financial information on the Stabilization Fund.

Balance Sheet

For the fiscal year ending June 30, 1986, the JUA reported assets of $5.9 million with an equal amount of liabilities. (See Exhibit 2). The JUA accounting practices report as an asset the money due from the Stabilization Fund in the case of a deficit. In the case of a surplus, the surplus is listed as a liability due the Stabilization Fund. As a result, the surplus is always zero.

Assets

The JUA invests $5.8 million of the $5.9 million in assets. (See Exhibit 3). About $4.7 million is invested in short-term treasury notes with the balance of $1.1 million held in cash. The $0.1 million not invested is in interest income due and accrued.

The JUA reported only limited annual statement data. Consequently, investment yield and bond maturity data are not available.

Cash Flow

Cash flow was a negative $1.9 million for the year ending June 30, 1986. (See Exhibit 4). Income from all sources amounted to $1.3 million with $1.0 million from premiums and $0.3 million from investment income. Expenditures amounted to $3.3 million of which $2.4 million went for paid claims, $0.5 million went for loss adjustment expenses, and $0.4 million went for operating expenses.

Statutory Reserves

The $4.9 million loss and loss adjustment expense reserve is comprised of $3.5 million for loss reserves and $1.4 million for loss adjustment expense reserves. (See Exhibit 5). The loss reserves, in turn, are comprised of $3.2 million for pending claims and $0.3 million for IBNR claims. The average reserve value for the 85 pending claims is $37,000.

Pending Claims

Typically, medical malpractice claims are reported long after the medical procedure responsible for the injury took place. Consequently, the number of pending claims for recent years is usually less than the number of pending claims for earlier years. The highest number of pending claims is usually for the year three or four years prior to the current year. The number of pending claims for even earlier years usually declines steadily.

This description of the usual pending claim pattern does not hold for Kansas. The number of pending claims is highest in the most recent year, 1985. The number of pending claims rapidly declines suggesting a relatively fast runoff. (See Exhibit 6).

Discounted Reserves

Although the estimated reserve runoff was not supplied (Kansas supplied only annual statement data), a rough estimate of the discounted reserve can be made. As noted above, the Kansas claims may runoff faster than medical malpractice claims in other states. Of the states supplying estimated runoff data, those with the fastest runoff, Florida, New Hampshire, South Carolina, and Texas, have discounted reserves equal to approximately 70% of the statutory reserves. Applying this factor to the Kansas statutory reserve, the estimated discounted reserve would be $3.4 million. The discounted reserve is $2.4 million less than the invested assets. (See Exhibit 10). If the Kansas runoff is faster than in other states, the discounted reserve would be higher and the difference between the discounted reserve and invested assets smaller. If this difference is regarded as a cushion to cover the possibility that loss reserves prove to be deficient, then the reserve could be deficient by as much as 50%, and the Kansas JUA would still have sufficient funds to cover the shortage.

Conclusion

As long as the Health Care Stabilization Fund continues to cover the JUA's deficit, the JUA should be financially sound. An additional cushion is the investment income to be earned from invested assets. As presently structured, insurers are not subject to assessment even if the JUA and/or the Stabilization Fund should encounter financial difficulty.

Massachusetts Medical Malpractice JUA

History

The Massachusetts JUA became operational June 19, 1975. Membership includes all personal liability insurers, including motor vehicle insurers and multiple-peril writers. The JUA offers coverage to all physicians, hospitals, and other health care providers. The JUA wrote 69.0% of the medical malpractice coverage in the state in 1986 (Exhibit 1), down slightly from 73.0% in 1985.

Funding and Deficit Provisions

Funding is provided from policyholder premiums and member assessments. If a deficit occurs in the JUA, a pro-rata assessment, based on total member premiums, up to a maximum of 1% of the insurer's surplus can be assessed. A recoupment provision provides that insureds covered by any medical malpractice liability policy issued in the state can be assessed or can have their premiums increased in order to reimburse insurers for their JUA assessment.

Balance Sheet

As of year-end 1986, the Massachusetts JUA reported assets of $362.2 million and liabilities of $1.1 billion, resulting in a deficit of $710.5 million. (See Exhibit 2). Assets were up 10% from 1985 while liabilities were up 15%. The deficit increased over $100 million during 1986.

Assets

Of the $362.2 million in assets, $344.4 million is invested. (See Exhibit 3). Almost $332.6 million is invested in bonds, $2.8 million is invested in short-term securities, and $9.0 million is held in cash. Non-invested assets amount to $17.9 million of which $9.2 million is in premium balances and $8.6 is due from interest income accrued. Bond maturity averages 10.3 years. While no data was provided on bond yields, the overall investment yield (investment income divided by invested assets) is 9.4%.

Cash Flow

Despite the tremendous deficit, the cash flow was still a positive $11.1 million in 1986 (Exhibit 4), down substantially from $32.0 million in 1985. Income from all sources, except realized capital gains, amounted to $87.4 million of which $55.0 million came from premiums and $32.4 million came from investment income. Corresponding 1985 figures were higher, premiums $59.0 million, investment income $32.9 million. Expenditures amounted to $76.3 of which $56.7 million went for claim payments, $12.7 million went for loss adjustment expenses, and $6.9 million went for operating expenses. Corresponding 1985 figures were lower, claim payments $43.4 million, loss adjustment expense $10.2 million, operating expenses $6.3 million. For 1986, the $11.1 million positive cash flow does not take into consideration $18.7 million in net realized capital gains. The Massachusetts JUA was the only JUA, except for New York, to have realized capital gains of more than a few hundred thousand dollars. Realized capital gains are not reflected in this cash flow analysis because they are one-time occurrences and cannot be relied upon from year to year.

Statutory Reserves

The JUA reports $1.0 billion in loss and loss adjustment expense reserves as of year-end 1986. (See Exhibit 5). Of this amount, $734.0 million is for loss reserves and $296.8 million is for loss adjustment expense reserves. Loss reserves are up 18% from 1985, while loss adjustment expense reserves are up 10%. The loss reserves are comprised of $304.4 million for pending claims and $429.6 million for IBNR claims. The $304.4 million is intended to cover the 3,198 pending claims with an average reserve of $95,185. While the number of pending claims is down 13.2%, the average reserve is up 34.4% from $70,802 in 1985.

Pending Claims

The Massachusetts JUA has the largest number of pending claims of any medical mal-

practice JUA. The increasing number of pending claims by accident-year from 1986 back to 1983 is indicative of the late reporting of claims. The large number of pending claims for the earliest accident years is indicative of the long time it takes to resolve some claims. As would be expected, the pending claims go all the way back to the inception year 1975. (See Exhibit 6).

Discounted Reserves

The JUA did not supply information on its anticipated reserve runoff. It supplied only annual statement data. The pending claim distribution is similar to that of Rhode Island. If the reserve runoff is similar to Rhode Island and assuming Massachusetts will continue to earn 9.4% on investments, the discounted reserve for the Massachusetts JUA would be $709.6 million. This amount is $365.3 million more than the current value of the invested assets. (See Exhibit 10).

If the above assumptions are not accurate, the shortage could be even larger. If the runoff pattern is shorter by one year, the shortage would increase to $425.9 million. If investments should earn only 7.5%, the shortage would be $414.5 million. If reserves are 20% inadequate, the shortage increases to $507.0 million. Taking all three modifications together, (claims paid one year sooner, 7.5% investment yield, and 20% reserve deficiency), the shortage would be $659.1 million or almost as much as the statutory deficit. Thus, regardless of the reasonable assumptions used, current invested assets are hundreds of millions of dollars short of being able to pay current liabilities, even considering investment income.

Rate Filing

Prior to 1983, the JUA received 3 rate increases, 7.3% for 1977, 10% for 1980, and 9.1% for 1982. (See Exhibit 12B). For 1983, the JUA requested a 162% increase and received approval for 42%, which was appealed.

Subsequently, the JUA refiled for a 188% increase for 1983 and also filed for a 41.6% increase for 1984. In June 1986, the JUA received approval for a 68.1% increase for 1983 and 10.9% for 1984. These increases are to be collected over a [illegible] year period which began in July 1987. The JUA filed for a 71.6% increase for 1985 and received approval for 23.6% in March 1987, also to be collected over a five year period. For 1986, the JUA requested a 10.3% increase and received approval for 8.7% in March 1987. Also in March 1987, the JUA received a 6.5% rate increase for 1987 rates after requesting 10.0%.

Conclusion

Even considering future investment income, the Massachusetts JUA has a deficit of at least $365.2 million and possibly much more. Sooner or later this unfunded liability will have to be paid. If the JUA is unable to raise this money from policyholders, the members of the JUA could be assessed millions of dollars. Whether rate increases can be implemented to allow insurers to recoup the assessments is yet to be determined.

New Hampshire Medical Malpractice JUA

History

The New Hampshire Medical Malpractice JUA began operating October 1, 1975. Members include all liability insurers in New Hampshire. The JUA was established to provide coverage for physicians, hospitals, and other health care providers. In 1986 the JUA wrote an estimated 53.2% of the medical malpractice market based on premium volume. (See Exhibit 1). The market share was down slightly from 56% in 1985.

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums, (2) member assessments, and (3) policyholder surcharges.

Legislation, effective in 1986, altered the funding mechanism for covering JUA deficits. The legislation established two funding mechanisms, one for deficits from business written after January 1, 1986, and another for deficits on business written prior to January 1, 1986.

For deficits on business written after January 1, 1986, members will be assessed based on the percentage of premium they write in the state. The companies, however, may be reimbursed under one of two plans approved by the commissioner. One plan allows insurers to surcharge all health care providers up to a maximum of 100% of their premium for each policy year. In the event the assessment is greater than $10,000, the payment may be applied over a period of up to three years. The second option would allow insurers to surcharge future liability insurance policies which form the basis of the member's participation in the JUA provided that the surcharge does not exceed 3% of the premium per year.

A Stabilization Reserve Fund is created for deficits prior to January 1, 1986. Initial funding for the Stabilization Reserve Fund comes from a surcharge of 15% on the annual gross premium charged for primary medical liability coverage. If the Stabilization Reserve Fund reserve is not sufficient to cover the deficit, the commissioner shall impose a surcharge not to exceed 2% of the annual premium on policies issued or delivered in the state for the lines of business which form the basis for the insurer's participation in the JUA.

Balance Sheet

As of year-end 1986, the JUA reported assets of $35.2 million including $0.9 million from the Stabilization Reserve Fund, liabilities of $61.8 million with a resulting deficit of $26.5 million. (See Exhibit 2). The deficit is divided $25.0 million for policies issued prior to January 1, 1986 and $1.5 million for policies issued after January 1, 1986. Assets are up $7.9 million from 1985. Liabilities are up $6.4 million compared to 1985 resulting in the deficit declining $1.6 million from 1985.

Assets

Of the $35.2 million in assets, the JUA invested $31.8 million. (See Exhibit 3). The investments include $22.3 million in bonds and $6.1 million in short-term investments. The remaining $3.4 million is held in cash. An embedded yield figure was not provided but the average yield on invested assets is 7.8%. Of the $3.5 million not invested, $1.7 million is in premium balances, $.9 million from the Stabilization Reserve Fund and $.9 million in other non-invested assets.

Cash Flow

In 1986, the cash flow was a positive $6.9 million (Exhibit 4) down from $9.0 million in 1985. Total income amounted to $15.0 million with $12.3 million from premiums and $2.5 million from investment income and $0.2 million from other sources. Total expenditures were $8.1 million of which $7.0 million went for claim payments and loss adjustment expense payments and $1.2 million went for operating expenses. While income was up $.6 million from 1985, expenditures were up $2.7 million almost entirely due to increased paid claims and loss adjustment expenses.

Statutory Reserves

Of the $61.8 million in liabilities, $53.8 million is for loss and loss adjustment expense reserves. (See Exhibit 5). The JUA only provided pending and IBNR loss and loss adjustment expense reserves. The average pending claim

(including loss adjustment expenses) is $37,000.

Pending Claims

At year-end 1986, the New Hampshire JUA had 329 pending claims (Exhibit 6) up 10% from the 299 pending at year-end 1985. These claims are for all policy years going back to 1976 and prior, where seven claims are still pending. The largest number of claims - 56 - are pending from 1980. The distribution is typical.

Reserve Development

Due to incomplete records, the JUA does not have complete information allowing for a comparison of all the initial accident-year reserves to the current estimate of those accident-year reserves. The records do allow a comparison for the years 1981 to 1985 as of year-end 1986. (See Exhibit 7B). For accident-years 1981 and 1982, the reserves now appear to have been inadequate. The 1983, 1984, and 1985 accident-year reserves now appear to have been more than adequate.

During 1986, the JUA reduced by $1.6 million its estimate of how much was expected to be paid for all prior accident-years. For accident-years 1984 and 1985, the ultimate expected payout was reduced by $5.0 million in total. For accident-years prior to 1983, the ultimate payout was revised upward by $3.5 million in total.

Claim Payout

The median time to pay one-half the ultimate incurred losses is 4.6 years. (See Exhibit 8). While this is up only slightly from 4.5 years last year, the JUA extended its estimate of how long it will take to ultimately pay all claims for any one accident-year from 15 to 21 years. For the years where reserves were strengthened, the median is about 5.3 years, while it is 4.2 years for the other years indicating the JUA expects claims from the more recent years to be paid faster than those from earlier years. (See Exhibit 9B).

Discounted Reserves

Of primary importance to the financial stability of the JUA is whether the current invested assets of $31.8 million along with the investment income they will generate are sufficient to meet the estimated $53.8 million in claim payments and loss adjustment expenses expected to be made in the future. Assuming (1) current reserves are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value will be received for invested assets if they are sold, $38.1 million would be needed to be set aside in order to make those payments. (See Exhibit 10). With only $31.8 million in invested assets, the JUA appears to be $6.3 million short of covering those payments. Without using future premiums, which are for claims rising in the policy years for which the premiums are collected and using the same four assumptions above, the current invested assets could be depleted by early 1993. (See Exhibit 11). At that time there would be approximately $14.6 million in subsequent payments for which no funds would be available.

The $6.3 million shortage would be greater if reserves prove to be inadequate or claims are settled sooner than expected. If the reserves are inadequate by 20%, the shortage more than doubles to $13.9 million. The impact of paying claims on average 1 year sooner increases the shortage to $9.3 million. Both of these changes together would almost triple the shortage to $17.5 million.

Rate Filings

Since inception, the JUA has filed for several rate increases and has received timely approval in every case expect the most recent. (See Exhibit 12C). Rates have grown substantially for all insureds since 1980. For physicians and surgeons, rates increased 45% for 1980, 50% for 1981, 70% for 1982, 30% for 1983, with a more moderate increase for 1984. For 1986, the JUA filed for a 9.6% increase, but the request was refused.

Conclusions

The New Hampshire JUA does not appear to have sufficient invested assets to meet current liabilities. While mechanisms exist for insurers to recoup any assessment to cover JUA deficits, it remains to be seen if the mechanisms will produce adequate revenue to compensate the insurers.

New York Medical Malpractice JUA

History

The New York Medical Malpractice JUA was activated June 18, 1975. Members include all insurers writing personal liability and multi-peril policies. The JUA offers medical malpractice liability insurance to physicians and hospitals. The JUA wrote 21.6% of the medical malpractice premiums in the state in 1986 (Exhibit 1), which is up substantially from the 12.5% share in 1985.

Funding and Deficit Provisions

Three sources provide funds: (1) policyholder premiums, (2) Stabilization Reserve Fund, and (3) member assessments. The Stabilization Reserve Fund is financed by a 20% surcharge on the insured's medical malpractice premiums. If the JUA sustains a deficit, the Stabilization Reserve Fund is to cover the deficit. If a deficit exists after consideration of the Stabilization Reserve Fund contribution, JUA members can be assessed in proportion to their premiums. The assessment can be subsequently recouped from the Stabilization Reserve Fund if those funds are replenished.

Balance Sheet

As of year-end 1986, the New York JUA Annual Statement balance sheet shows assets of $528.7 million and liabilities of $1,037.2 million for a deficit of $508.5 million. (See Exhibit 2). The deficit increased almost $200 million because while assets increased almost $200 million, liabilities increased almost $400 million. The increase in liabilities is due to the addition of loss reserves and loss adjustment expense reserves for accident-year 1986. The deficit increase would have been even larger if loss reserves and loss adjustment expense reserves for accident-years 1975 through 1985 had not been reduced by over $50 million in 1986. (See Reserve Development below).

Assets

The JUA assets include $9.2 million of Stabilization Reserve Fund assets. The deficit, therefore, could be assessed against insurers. Of the total assets, $394.3 million is invested. (See Exhibit 3). Bonds constitute the largest investment, $371.4 million, of which $272.6 million is invested in government bonds and $98.8 in non-government bonds. Non-government bonds are all rated A or better by Moody. The embedded yield dropped from 11.2% in 1985 to 8.5% in 1986. The average term to maturity of all bonds is eleven years. Short-term investments amount to $10.3 million, while $12.7 million is held in cash. Non-invested assets amount to $134.4 million of which $126.8 million is in premium balances. Almost all of this amount is for excess limits coverage provided, but for which no premium was received by the JUA before year-end 1986. Collecting the premium was slow during 1987, and a substantial amount was still outstanding late in 1987. Of the remaining non-invested assets, most is in interest income due and accrued.

Cash Flow

Cash flow in 1986 was a positive $30.5 million (Exhibit 4), down more than $4.5 million from 1985. Premium income was down more than $50 million from $67.6 million in 1985 to $16.0 million in 1986 due to the large amount of uncollected premium at year-end 1986. Investment income was up $5.4 million from $29.2 million in 1985 to $34.6, but this was offset by other income dropping from $13.5 million in 1985 to $8.5 million in 1986. The survey did not request any description of other income. Total cash income, excluding capital gains, was $59.1 million. Expenditures amounted to $28.7 million, down from $32.4 million in 1985. Paid claims amounted to $15.0 million, down from $22.5 million in 1985, with loss adjustment expenses of $7.9 million, down from $8.8 million in 1985. Other expenses were up from $1.1 million in 1985 to $5.8 million in 1986.

Statutory Reserves

As of year-end 1986, the JUA reports loss and loss adjustment expense reserves of $943.3 million (Exhibit 5), a 55% increase over

1985. Of this amount, $730.2 million is for loss reserves (up 53% from 1985), and $213.1 million is for loss adjustment expenses (up 62% from 1985). The loss reserve is comprised of $199.7 million for pending claims, which is down slightly from the $209.3 million at year-end 1985. All of the loss reserve increase is in IBNR.

Pending Claims

The 2,144 pending claims are down slightly from the 2,206 at year-end 1985. The average reserve value of $93,000 is down slightly from the $95,000 at year-end 1985. More than half of the pending claims are for losses which occurred in 1981 and prior. (See Exhibit 6). The large number of pending claims for the earlier years indicates that it takes a longer time to settle cases in New York than in other states.

Reserve Development

Loss reserves for accident-years 1975 through 1982 were reduced $51.8 million in 1986. (See Exhibit 7C). The reduction for each of these accident-years ranged from $3.4 to $8.6 million. In addition, loss reserves for accident-years 1983 and 1985 were each reduced $1 million. The loss reserve for 1984 was increased $0.7 million. In total, the estimated ultimate incurred losses for claims arising in 1985 and prior were reduced $53.0 million in 1986.

Despite the large reduction in loss reserves, the original reserves for accident-years 1975 to 1981 are still thought to have been grossly inadequate. In the first half year of operation in 1975, the original reserve was estimated to be $8.1 million, and today it appears that it should have been set at $26.5 million. Between 1976 and 1981 the original accident-year reserves ranged from a low of $13.6 million in 1977 to a high of $49.1 million in 1981. It now looks as if all of those reserves should have been set somewhere between $52 million and $74 million. For the more recent accident-years, 1982 to 1985, reserves are estimated to have been inadequate in two out of four years. The reserve pattern for 1983, 1984, and 1985 is unusual, in that on a developed basis, they are $63.5, $35.7, and $126.8 million, respectively. The large increase in the 1985 accident-year reserve is due to excess liability coverage.

Claim Payout

Not unexpectedly, New York medical malpractice claims still have the longest anticipated runoff period. (See Exhibit 8). In 1986, the average time to pay one-half the claim payments is the same as in 1985, 8.8 years. By comparison, after nine years all of the claim payments are expected to have been made in Florida and South Carolina and over 80% in Rhode Island and Texas.

Discounted Reserves

With only $394.3 million in invested assets and outstanding claims of $943.3 million, it would appear that the New York JUA does not have sufficient funds to meet these payments. Given the long time it takes for New York claims to runoff, however, does provide a considerable length of time in which to earn investment income. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) the invested assets will continue to earn at their current embedded yield, and (4) asset maturity will match liabilities, the present value of those future payments is $526.8 million. (See Exhibit 10). This is $132.5 million more than the invested assets. Using the above assumptions, the invested assets can be expected to be depleted sometime during the year 1995 leaving a total of $377.2 million left to be paid. (See Exhibit 11). This is a substantial deterioration from year-end 1985 when the discounted reserve was only $4.4 million more than invested assets. The deterioration is due to substantially increased liabilities in 1986 and a decrease in the embedded yield.

The $132.5 million shortage would be even higher if critical assumptions prove to be optimistic. In the past year the embedded yield dropped almost three points. If the yield should drop to an average of 7.5% over the runoff period, the shortage increases to $165.5 million. If claims were to be paid on average one year sooner, the shortage increases to $177.5 million. Despite apparent recent indications of more than adequate reserves for earlier

accident-years, if reserves prove to be inadequate by 20%, the shortage increases to $237.8 million. If all three happen, the shortage increases to $334.8 or almost three times the above estimate of $132.5 million.

Rating

For 1986, a 135% rate increase was requested, and a 9% rate increase approved. The JUA brought suit against the New York Insurance Department challenging the level of the rate increase approved. The court ruled against the Department saying the JUA was entitled to an actuarially sound rate. At the time of this writing the amount of the rate increase is undecided.

The rate filing for 1986 was not the first to be disapproved by the Department. The New York JUA has had an extremely difficult time receiving approval for requested rate increases. (See Exhibit 12C). No requested rate increase has ever been approved. During the period 1977 to 1985, the JUA has requested a rate increase for each year. For 1977, a 90% rate increase was requested, and a 15.5% rate increase was approved. Rate increases for 1978 through 1980 of 98%, 104%, and 186%, respectively, were all disapproved. For 1981, a 210% rate increase was requested, and a 58.5% rate increase was approved. For 1982, a 243% rate increase was requested, and a 15% rate increase was granted. For 1983, a 108% rate increase was requested, and a 83.3% increase was approved but not until January of 1985. For 1984, a 62% rate increase was requested, and a 52.3% increase was approved in January 1985. Action on the 1985 rate increase of 128% was not finalized until July 1986 when a 14% rate increase was approved.

Conclusion

For the New York JUA, current invested assets are not sufficient to cover current loss and loss adjustment expense liabilities even considering future investment income. The deficiency could increase substantially if any of the following happen:

- Current embedded yield is not maintained - a likely possibility given current lower yields.
- Current investments have to be sold for less than full value - a possibility because $73 million in bonds have maturity dates more than 20 years from now.
- Current reserves are inadequate - a possibility given past reserve developments.

Pennsylvania Medical Malpractice JUA

History

The Pennsylvania JUA became operational January 13, 1976. Members include all casualty insurers. The JUA offers coverage to health care providers as defined in the statutes. The Pennsylvania JUA has the second smallest market share of any medical malpractice JUA, 3.4% based on premium volume (Exhibit 1), up slightly from 3.2% in 1985.

Funding and Deficit Provisions

Funding for the JUA comes from two sources, policyholder premiums and a catastrophe fund. The catastrophe fund is financed through surcharges on all health care providers. If the JUA incurs a deficit, the catastrophe fund or a rate increase is intended to cover the deficit. If the catastrophe fund is unable to cover a JUA deficit, a surcharge is to be applied to all health care providers.

Balance Sheet

At year-end 1986, the Pennsylvania JUA reports assets of $53.5 million and liabilities of $52.9 million for a surplus of $0.7 million. (See Exhibit 2). Assets are up $5.7 million from 1985, but liabilities are up $10.3 million thus reducing last year's surplus of $5.0 million.

Assets

Of the $53.5 million in assets $52.1 million are invested. (See Exhibit 3). Bond holdings total $49.1 million. Short-term investments total $2.3 million. The balance, $0.7 million, is held in cash. Of the $1.5 million not invested, $1.4 million is an interest income due and accrued. The average yield on invested assets was 7.7% in 1986.

Cash Flow

Cash flow for the JUA was a positive $3.5 million in 1986 (Exhibit 3), up from $3.2 million in 1985. The $11.7 million in income came from $7.5 million in premiums ($5.4 million in 1985) and $4.2 million in investment income (same as 1985). Expenditures of $8.2 million ($6.4 million in 1985) included $4.8 million for claim payments, $2.5 million for loss adjustment expenses, and $0.9 million for operating expenses. Corresponding figures for 1985 are $3.5 million for claims, $2.4 million for loss adjustment expenses, and $0.5 million for operating expenses.

Statutory Figures

Loss and loss adjustment expense reserves rose more than 21% to $49.2 million at year-end 1986. Loss reserves increased 15% to $36.5 million while loss adjustment expense reserves increased almost 50% to $12.7 million. The loss reserves are comprised of $16.2 million for pending claims, up $1.0 million from 1985, and $20.3 million for IBNR, up $3.7 million from 1985. No pending claim information was provided making it impossible to determine an average pending claim value.

Discounted Reserves

Unique among JUAs, the Pennsylvania JUA discounts loss reserves. As of year-end 1986, the reserves were discounted at an interest rate of 6%. This would seem to be a conservative interest rate given the fact that the $52.1 million in invested assets generated $4.2 million in investment income or slightly more than 8%.

Invested assets, however, are only $2.9 million more than the discounted claim reserves. If reserves should prove to be as little as 6% inadequate, the excess disappears. If reserves should prove to be 20% inadequate, the excess becomes a $6.9 million shortage.

Conclusion

The Pennsylvania JUA financial condition is not strong, even with conservatively discounted reserves. If reserves are understated by as little as 6%, the JUA will not have sufficient funds to meet its liabilities.

Rhode Island Medical Malpractice JUA

History

The Rhode Island Medical Malpractice JUA was activated April 9, 1976. Members include all personal injury liability insurers including those insurers providing multi-peril policies. The JUA was established to provide insurance to physicians, hospitals, and other health care providers. During 1986, the JUA's market share was 82.6% based on premiums, the largest share of any medical malpractice JUA. (See Exhibit 1). The market share is down slightly from the 87.4% share in 1985.

Funding and Deficit Provisions

Funding for the JUA is from (1) policyholder premium, (2) Stabilization Reserve Fund, and (3) member assessments. The Stabilization Reserve Fund is financed by policyholder contributions determined by the director. If the JUA has a deficit, the Stabilization Reserve Fund is to provide funds to cover it. At year-end 1986 the Stabilization Reserve Fund amounted to $7.3 million. If a deficit exists after the Stabilization Reserve Fund contribution, insurers can be assessed. Individual insurer assessments will be based on the percentage of direct premiums for several lines of business as they relate to the aggregate writings in Rhode Island for all members writing those lines of business. Insurers may recoup the assessment by means of a surcharge, not to exceed 1%, on the annual premiums of future personal injury policies. Insurers may also recoup assessments through a premium tax offset.

Balance Sheet

As of year-end 1986, the Rhode Island Medical Malpractice JUA annual statement balance sheet reports assets of $68.5 million and liabilities of $227.8 million for a deficit of $159.3 million. (See Exhibit 2). Assets are up less than $14 million from 1985 while liabilities are up almost $34 million resulting in a $20 million increase in the deficit.

Assets

Invested assets amount to $63.5 million of which $54.9 million is in bonds. (See Exhibit 3). The vast majority of the bonds, $51.1 million, are in government securities. Non-government securities amount to $3.8 million. The JUA was not able to supply the grades for the non-government bonds. All the bonds were purchased in the past three years with an average term of 4.2 years. The average yield on investments is estimated to be 8.7%. Other invested assets include $1.4 million in cash and $7.2 million in other unspecified assets. Of the $5.0 million in non-invested assets, $3.5 is premium balances, and $1.5 million is interest income due and accrued.

Cash Flow

Although a large deficit exists, cash flow was a positive $13.4 million in 1986. (See Exhibit 4). Premium is up $5.0 million from 1985 to $19.1 million. Investment income is up $1.2 million to $5.5 million. Total cash income is up $10.5 million. A $1.6 million decline from 1985 in paid claims accounts for the $1.1 million decline in cash expenditures. A $0.5 million loss adjustment expense increase partially offsets the paid claim decrease. Operating expenses in 1986 are the same as in 1985, $1.4 million.

Statutory Reserves

As of year-end 1986, the JUA reports loss and loss adjustment expense reserves of $214.8 million (Exhibit 5), up more than $33 million from 1985. Loss reserves account for the entire increase being up almost $38 million from 1985 to $193.8 million. Most of the loss reserve increase is in IBNR which increased almost $30 million to $144.0 million. Pending loss reserves are up $8.0 million. Loss adjustment expense reserves are down $4.0 million to $21.0 million.

Reserve Development

Due to record problems, the JUA was not able to supply information to compare the orig-

inal reserves for 1976 through 1979 with current estimates of what those reserves should have been. Information was provided for the period 1980 through 1986.

In 1986, the ultimate expected incurred losses for accident-year 1980 through 1985 were reduced $28.6 million or almost 15% from year-end 1985. (See Exhibit 7D). With the reduction, the originally established reserves for accident-year 1984 and 1985 are now thought to have been overstated by 15%-20%. For accident-years 1980 through 1983, however, the originally established reserves are still thought to have been substantially understated.

Claim Payout

Rhode Island has the second longest estimated time to pay one-half of the incurred claims, 5.5 years (Exhibit 8), which is down slightly from 5.7 years in 1985. For the years with the most experience, 1976-1978, the average ranges from 5.8 to 6.4 years. (See Exhibit 9D). For subsequent years, the range is from 4.2 years in 1980 to 5.8 years in 1983.

Discounted Reserves

With loss and loss adjustment expense reserves of $214.8 million and invested assets of only $63.5 million and a Stabilization Reserve of $7.3 million, the JUA does not have sufficient assets to meet those claims even after consideration of investment income. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn their embedded yield, and (4) the full value of the assets will be realized if they are sold before maturity, the JUA needs at least $152.0 million to meet those payments or $81.2 million more than it has. (See Exhibit 10). If future premiums are not used to meet those payments, the current invested assets could be depleted sometime in 1989 leaving $134.5 left to be paid. (See Exhibit 11).

The JUA's financial condition could worsen if the critical assumptions are optimistic. For instance, if reserves should prove to be understated by 20%, the shortage increases to $111.5 million. If the investment yield should drop to an average of 7.5%, the shortage increases to $87.8 million. The combined impact of these changes would be to increase the shortage to $119.4 million. Under these circumstances (20% reserve deficiency and 7.5% yield), the JUA could depleted its assets by early 1989.

Rate Filings

Historically, the JUA has had difficulty in obtaining rate increases. (See Exhibit 12D). For 1978, a 34.1% rate increase was asked for, but no hearing was held, and the rate increase was not approved. The only year for which the requested rate increase was approved was 1979. For 1980, a 25.3% rate increase was asked for but later withdrawn. For each of the subsequent years, additional rate increases were requested and the JUA usually received one-half or less of the amount requested. For 1986 a 91.4% increase was requested but only a 36.1% increase was approved but not until July 1, 1987.

Conclusion

The Rhode Island JUA is in serious financial trouble. While cash flow was positive in 1986, negative cash flow can be expected shortly with the strong possibility of invested assets being depleted shortly thereafter. The Stabilization Reserve Fund will be able to supply only $7.3 million to offset the JUA's deficit. Whether insurers will be able to recoup any assessments remains to be seen.

South Carolina Medical Malpractice JUA

In the original report, the JUA reported statutory information as of year-end 1985 and loss payment and reserve data as of fiscal year ending June 30, 1986. For this report, the JUA was requested and submitted balance sheet and underwriting results as of June 30, 1986.

History

The South Carolina Medical Malpractice JUA became operational June 30, 1975. Members include all insurers writing bodily injury liability insurance including multi-peril policies but excluding automobile liability insurers. The JUA provides coverage for physicians, hospitals, and other health care providers. The JUA market share was slightly less than half, 47.0%, in 1986. (See Exhibit 1). The market share is down slightly from 52.4% in 1985.

Funding and Deficit Provisions

Funding is provided from policyholder premiums and member assessments. If a deficit occurs, JUA members can be assessed in proportion to their direct written premium up to 1% of their policyholder surplus. A recoupment provision provides that policyholders can be assessed up to one annual premium or the assessment may be recouped through prospective rate increases. As of fiscal year-ending June 30, 1986, the South Carolina JUA reports assets of $19.8 million and liabilities of $40.1 million for a deficit of $20.3 million. (See Exhibit 2).

Assets

Invested assets amount to $19.4 million with $17.0 million in government bonds. (See Exhibit 3). At year-end 1985, the bonds had an embedded yield of 10.63%. Of the remaining invested assets, $2.2 million, were in short-term investments and $0.1 million held in cash. The $0.4 million in non-invested assets is not specified as to source.

Cash Flow

The JUA had positive cash flow amounting to $0.6 million in fiscal year ending June 30, 1986. (See Exhibit 4). Total income was $9.1 million of which $7.1 million came from premiums and $2.0 million from investment income. Expenditures included $5.4 million for paid claims, $2.1 million for loss adjustment expenses, and $1.0 million for operating expenses.

Statutory Reserves

For the fiscal year ending June 30, 1986, the JUA reports loss and loss adjustment expense reserves of $34.6 million. (See Exhibit 5). Of this amount, $25.7 is for loss reserves and $8.9 for loss adjustment expenses. In turn, the loss reserves are comprised of $6.8 million for pending claims and $18.9 million for IBNR. The $6.8 million is to pay 543 pending claims. The average pending claim value is $12,596. The 543 pending claims are an increase of 10% from 1985.

Reserve Development

Reserve development data is unavailable for fiscal years ending in 1977 through 1979. (See Exhibit 7E). Development data is available for all other fiscal years (1976, 1980-1986). Up until 1984, the initial fiscal accident-year reserves have been found to have been inadequate. For fiscal-years ending 1985 and 1986, the original reserves as of September 1986 appear to have been more than adequate.

Claim Payout

The South Carolina JUA has the second shortest anticipated runoff period. The JUA expects half of the incurred claims to be paid within 3.4 years. (See Exhibit 8). This average expected period has been quite consistent over the existence of the JUA. (See Exhibit 9E).

Discounted Reserves

Based on statutory results, the invested assets are slightly more than one-half of the loss and loss adjustment expense reserves. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, and (3) current invested assets will continue to earn their embedded yield, the present value of those future payments is $22.9 million. (See Exhibit 10). Even after consideration of investment income, therefore, invested assets are $3.5 million less than the amount needed to cover all future payments. Using the same assumptions and assuming no additional income to cover those claims, existing invested assets would be depleted in 1991 leaving approximately $6.3 million in claim payments yet to be made. (See Exhibit 11).

The JUA financial condition could worsen if the critical assumptions are optimistic. For instance, if reserves should prove to be underestimated by 20%, the shortage increases to $8.1 million. If the investment yield should drop to an average of 7.5%, the shortage increases to $5.2 million. The combined impact of these two changes would increase the shortage to $10.1 million. Under these circumstances (20% reserve inadequacy and 7.5% yield), the JUA could exhaust its assets by year-end 1989.

Rating

The South Carolina JUA has always received requested rate increases. Rate increases for physicians amounted to 50% for 1977, 40% for 1981, and 25% for 1983, 1985, and 1986. Hospital increases amounted to 133% for 1978, 20% for 1983, 40% for 1985, and 45% for 1986.

Conclusion

The South Carolina JUA is in financial trouble. Current assets, even considering investment income, are insufficient to cover current liabilities. Sometime in the future, assessments against insurers are a distinct possibility.

Texas Medical Malpractice JUA

History

The Texas Medical Malpractice JUA began operations September 8, 1975. Membership includes all liability insurers except farm and county mutuals. The JUA is authorized to insure any health care provider or physician included in one of the categories eligible for coverage as determined by the State Board. In 1986, the JUA covered physicians, surgeons, dentists, and hospitals and wrote 13.2% of all medical malpractice insurance in the state. (See Exhibit 1). The market share is up slightly from the 12% in 1985.

Funding and Deficit Provisions

Funding for the JUA comes from (1) policyholder premiums, (2) Stabilization Reserve Fund, (3) policyholder assessments, and (4) member assessments. Funding for the Stabilization Reserve Fund comes from a surcharge on JUA policyholder premiums. If a deficit occurs in the JUA, an assessment against JUA policyholders insured anytime in the last two years can be made and is limited to 100% of the current annual premium. If the policyholder assessment does not raise sufficient funds to cover the JUA deficit, assessments can also be levied against insurers based on their premium writings with a maximum assessment of 1% of surplus. This is the only JUA to have assessed insurers. Assessments were made in 1985, 1986, and one is possible in 1987.

Balance Sheet

As of year-end 1986, the Texas JUA balance sheet showed assets of $100.9 million (up from $69.6 million in 1985) and liabilities of $103.8 million (up from $76.0 million in 1985) for a deficit of $2.9 million (down from $6.4 million in 1985). (See Exhibit 2).

Assets

The JUA invested $75.6 million of is assets. (See Exhibit 3). Government bonds of $46.6 million comprised the largest component of the assets. The embedded yield on the bonds is 8.96%, down from 10.3% in 1985, with an average term of 2.3 years. Short-term investments total $3.3 million and another $3.3 million is held in cash. Of the remaining $25.3 million in assets, $19.2 million is money due from the assessment made in late 1986, $1.4 million is in premium balances, and $2.1 million is in other assets.

Cash Flow

In 1986, cash flow is a positive $9.7 million. (See Exhibit 4). Premium is $17.3 million, up almost $5 million from 1985. Investment income is $6.7 million, up $0.7 million from 1985. Total income is $24.0 million, up $6.0 million from 1985. Total expenditures are $14.4 million, up slightly from $14.0 million in 1985. Expenditures for claim payments are $8.0 million, down $0.8 million from 1985. Loss adjustment expenses are also down somewhat to $1.3 million, while expenses are up from $3.6 million in 1985 to $5.1 million in 1986.

Statutory Reserves

As of year-end 1986, the JUA reports $92.1 million in loss and loss adjustment expenses. (See Exhibit 5). This amount is $16.1 million higher than in 1985. The loss reserve is $71.1 million, while the loss adjustment expense reserve is $21.0 million. The loss reserve is comprised of $20.4 million for pending claims and $50.7 million for IBNR. The average reserve for the 632 pending claims is $32,349.

Pending Claims

The 632 pending claims at year-end 1986 (Exhibit 6) are 81 higher than the 551 at year-end 1985. The distribution of pending claims has shifted. At year-end 1985, the most recent accident-years, 1984 and 1985, accounted for 20% of all pending claims. At year-end 1986, the two most recent accident-years, 1985 and 1986, accounted for 41% of the pending claims. The JUA is concerned about this apparent faster claim development and is studying it.

Reserve Development

For most years, the initial accident-year reserves proved to be inadequate. For the early years, 1976 and 1977, the JUA now estimates that the initial reserves were slightly more than adequate. Since that time, however, the initial accident-year reserves have been inadequate. The inadequacies range from $2.5 million in 1984 to $7.3 million in 1980. In 1980, the initial accident-year reserve was $3.7 million, while $11.0 million is the current estimate of that reserve.

During 1986, the JUA did not significantly change its reserves for prior accident years. Reserve developments at year-end 1986 are about the same as they were at year-end 1985. (See Exhibit 7F).

Claim Payout

In Texas the median length of time to pay one-half of the ultimate incurred losses is 4.3 years (Exhibit 8), down slightly from 1985. The length of time appears to be shortening somewhat. (See Exhibit 9F). For the years 1977-1979 the median was 5.5 to 6.4 years. For more recent years, 1980-1986, it ranges from 3.4 to 4.2 years. As noted earlier, however, for the more recent years the median value is very dependent on the anticipated reserve runoff pattern. Only when more time passes will it be known if the apparent decreasing payout period is real.

Discounted Reserves

Based on the statutory results, insufficient assets exist to meet the future payments on existing claims. If the reserve is discounted assuming (1) the current accident-year reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value of the invested assets will be obtained if they have to be sold before maturity, the present value of those future payments is $68.2 million. The discounted reserve is $7.4 million less than current invested assets. (See Exhibit 10).

The current invested assets along with future investment income from those assets appear to be sufficient to pay all current liabilities. While the excess, $7.4 million, may appear large, it does not offer much of a cushion if any of the four assumptions above prove to be incorrect. For instance, if reserves prove to be 20% deficient, the excess becomes a $6.2 million shortage. If the investment yield drops to 7.5%, the excess drops to $4.3 million. If claims develop faster and are paid on average one year sooner, the excess drops to only $1.3 million. If all three happen, the excess becomes a $17.6 million shortage.

Rate Filings

For the first time since 1981 the JUA did not receive the rate increase requested for 1986. (See Exhibit 12F). Since its inception the JUA has filed for several rate increases. The first was a 50% increase in hospital rates for 1980. This rate increase was disapproved. For 1983, the JUA filed a 263% rate increase for dentists and oral surgeons, and this rate increase was approved. For 1985, the JUA filed two rate increases (1) 50% for physicians, surgeons, hospitals, other institutions, and (2) 50% for podiatrists. Both were approved. For 1986, it filed a 156.3% increase for physicians and other non-institutional health care providers and a 161.9% increase for hospitals and other institutional health care providers. For physicians, a 104.7% increase was approved, and a 109.9% increase was approved for hospitals.

Conclusions

The Texas JUA seems to be in fairly sound financial condition when future investment income is considered. Its financial condition, however, could change significantly if claim reserves prove inadequate, investment yields fall, or claims are paid sooner than expected. The fact that the JUA assesses insurers when a statutory deficit occurs should prevent huge deficits from accumulating as they have done in other states.

Wisconsin Medical Malpractice JUA

History

The Wisconsin Medical Malpractice JUA began operations March 17, 1975. Members include all personal liability insurers. Insurance is offered to all health care providers. In 1986, the JUA medical malpractice market share of 34.8% (Exhibit 1) was up substantially from 20.7% in 1985.

Funding and Deficit Provisions

Funding comes from two sources, policyholder premiums and member assessments. If the JUA suffers a deficit, members can be assessed based on a pro rate share of their writings. A recoupment provision is provided in the form of a rate increase.

Balance Sheet

As of year-end 1986, the Wisconsin JUA reports $74.5 million in assets ($69.0 million in 1985), $99.0 million in liabilities ($91.7 million in 1985), and a deficit of $24.5 million ($22.6 million in 1985). (See Exhibit 2).

Assets

Invested assets amount to $70.7 million of which $63.8 million is in bonds. The bond portfolio is up more than $27 million from the $36.5 million held in 1985. Apparently, much of the $30.1 million in short-term investments at year-end 1985 were converted to bonds since short-term investments at year-end 1986 are down to $6.1 million. The bond portfolio has an embedded yield of approximately 8.5%. The average time to maturity is 4.2 years. Other invested assets include $28,000 held in cash and $0.7 million invested in preferred stocks. The $3.8 million of non-invested assets include $2.0 million of premium balances and $1.8 million in interest income due and accrued.

Cash Flow

In 1986, the Wisconsin JUA had a positive $4.8 million cash flow (Exhibit 4) in contrast to a negative cash flow of $0.7 million in 1985. Total income of $16.4 million, up from $12.7 million in 1985, is comprised of $11.1 million from premiums and $5.3 million from investment income. The premium figure is up substantially from the $7.2 million in 1985, while investment income is off slightly from the $5.5 million in 1985. Expenditures of $11.5 million are down $1.9 million from the $13.4 million in expenditures in 1985. All of the decrease is accounted for in the drop in paid claims from $8.2 million in 1985 to $6.2 million in 1986. The 1986 loss adjustment expenses are $4.4 million, while other expenses are $0.9 million.

Statutory Reserves

The Wisconsin JUA reports $91.4 million in loss and loss adjustment expenses as of year-end 1986 (Exhibit 5) up $4.6 million from 1985. The increase is entirely due to loss reserves increasing from $60.3 million in 1985 to $64.8 million in 1986. The loss adjustment expense reserve in 1986 of $26.6 million is approximately equal to the $26.5 million loss adjustment expense reserve in 1985. Most of the increase in the loss reserves is due to the pending reserve increasing from $16.4 million in 1985 to $20.5 million in 1986. The IBNR increased slightly from $43.9 million in 1985 to $44.3 million in 1986. The average pending reserve of $16,407 is up slightly from the average pending reserve of $14,309 in 1985.

Pending Claims

The number of pending claims was up 101 from 1,147 in 1985 to 1,248 in 1986. The distribution of pending claims is typical. (See Exhibit 6). About 40% of the claims are pending from 1982 and 1983. Prior to that the pending claims decrease. The number of pending claims for accident-year 1986 is actually larger than that for accident year 1985 but may be due to increased exposure. Wisconsin has the third largest number of pending claims.

Discounted Reserves

While the Wisconsin JUA did not supply the requested data on historical payout patterns and current accident-year reserves for develop-

ment and discounting purposes, the JUA consulting actuary did provide an estimate of the year-end 1986 loss and loss adjustment expense reserves discounted at 7.5%. The year-end 1986 discounted reserve was estimated to be $70.5 million, which is slightly less than the invested assets of $70.7 million. (See Exhibit 10). This is an extremely thin margin and could quickly become a shortage if reserves prove to be inadequate or claims are paid faster than anticipated.

Rate Filings

Since 1984, the JUA requested rate increases three times and received approval for the requested rate increases twice. For 1984, the JUA asked for a 51.5% increase in the rates for physicians and received approval for a 35% increase. At the same time, they requested a 67.2% increase for hospitals and received a 49.0% increase. For 1985, the JUA requested and received approval for a 69.6% increase for physicians and a 52.4% increase for hospitals. For 1986, the JUA requested and received approval for a 32.2% increase in physician rates and a 51.4% increase in hospital rates.

Conclusions

Based on this analysis, the Wisconsin JUA appears to barely have sufficient invested assets including future investment income to cover existing loss liabilities. If any of these assumptions underlying in this estimate, however, prove to be optimistic, the JUA will not have sufficient funds to cover existing claim liabilities.

1986
EXHIBITS

Exhibit 1
1986 Market Share

State	Percent
Florida	10.5%
Kansas	3.1
Massachusetts	69.0
New Hampshire	53.2
New York	21.6
Pennsylvania	3.4
Rhode Island	82.6
South Carolina	47.0
Texas	13.2
Wisconsin	34.8

Exhibit 2
Balance Sheet—Statutory

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire	New York
Assets	$50,248,465	$5,894,884	$ 362,238,704	$ 35,236,727	$ 528,729,984
Liabilities	50,248,465	5,894,884	1,072,772,601	61,767,957	1,037,233,809
Surplus	0	0	(710,533,897)	(26,531,230)	(508,503,825)

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Assets	$53,549,097	$ 68,492,239	$19,776,768	$100,911,137	$ 74,502,666
Liabilities	52,853,424	227,817,842	40,101,632	103,783,880	99,039,671
Surplus	695,673	(159,325,603)	(20,324,864)	(2,872,743)	(24,537,005)

* Fiscal year ending June 1986.

Exhibit 3
Assets

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire	New York
Assets	$50,248,465	$5,894,884	$362,238,704	$35,236,727	$528,729,984
Invested	47,107,399	5,780,445	344,373,404	31,763,343	394,296,774
Bonds	44,848,545	0	332,628,960	22,252,558	371,380,154
Short Term	0	4,718,959	2,790,000	6,134,419	10,258,210
Cash	2,258,854	1,061,486	8,954,444	3,376,366	12,658,410
Other	0	0	0	0	0
Non-Invested	3,141,066	114,439	17,865,300	3,473,384	134,433,210
Premium Balance	2,286,841	0	9,216,205	1,726,112	126,778,988
Other	854,225	114,439	8,649,095	1,747,272	7,654,222
Embedded Yield	8.69%	Not Reported	9.40%	7.83%	8.54%
Bond Maturity in Years	5.3	Not Reported	10.3	Not Reported	11.3

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Assets	$53,549,097	$68,492,239	$19,776,768	$100,911,137	$74,502,666
Invested	52,070,239	63,464,695	19,364,743	75,648,827	70,673,067
Bonds	49,146,840	54,907,706	16,936,607	69,035,383	63,824,121
Short Term	2,261,248	0	2,245,000	3,316,948	6,086,977
Cash	662,151	1,387,766	123,136	3,296,496	27,969
Other	0	7,169,223	0	0	734,000
Non-Invested	1,478,858	5,027,544	412,025	25,262,310	3,829,599
Premium Balance	61,343	3,497,225	9,180	3,964,443	2,023,888
Other	1,417,515	1,530,319	402,845	21,297,867	1,805,711
Embedded Yield	7.66%	8.70%	10.63%	8.96%	8.50%
Bond Maturity in Years	Not Reported	4.2	1.6	2.3	4.2

* Fiscal year ending June 1986.

Exhibit 4
Cash Flow

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire**	New York
Income	$24,724,153	$1,342,124	$87,393,043	$15,005,938	$59,147,055
Premium	20,733,446	997,099	55,040,585	12,294,280	16,016,254
Investment Income	3,990,707	345,025	32,352,458	2,488,035	34,648,350
Other Income	0	0	0	223,623	8,482,451
Expenditures	11,454,224	3,279,336	76,303,665	8,132,813	28,694,788
Paid Claims	4,311,297	2,409,043	56,679,572	6,979,551	14,981,221
Loss Adj. Exp.	5,170,511	525,615	12,704,754	0	7,865,613
Other Expenses	1,972,416	344,678	6,919,339	1,153,262	5,847,954
Net Cash Flow	13,269,929	(1,937,212)	11,089,378	6,873,125	30,452,267

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Income	$11,723,836	$24,623,163	$9,078,700	$24,083,337	$16,381,039
Premium	7,529,711	19,103,183	7,121,536	17,346,668	11,121,566
Investment Income	4,194,125	5,520,492	1,957,164	6,732,669	5,259,473
Other Income	0	(512)	0	4,000	85,327
Expenditures	8,221,815	11,254,950	8,462,666	14,406,323	11,593,682
Paid Claims	4,825,577	7,541,168	5,373,784	8,048,264	6,203,428
Loss Adj. Exp.	2,481,959	2,328,081	2,084,712	1,266,281	4,359,888
Other Expenses	914,279	1,385,701	1,004,170	5,091,778	1,030,366
Net Cash Flow	3,512,021	13,368,213	616,034	9,677,014	4,787,357

* Fiscal year ending June 1986.
** Paid claims also include loss adjustment expenses paid

Exhibit 5
Loss and LAE Reserves

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire**	New York
Loss and LAE Reserves	$51,457,359	$4,893,280	$1,030,840,253	$53,773,456	$943,309,306
Loss Reserves	37,973,303	3,495,200	734,031,626	53,773,456	730,216,981
LAE Reserves	13,484,056	1,398,080	296,808,627	0	213,092,325
Loss Reserves	37,973,303	3,495,200	734,031,626	53,773,456	730,216,981
Pending	22,650,400	3,150,200	304,401,674	12,228,363	199,749,895
IBNR	$15,322,903	$ 345,000	$429,629,952	$41,545,093	$530,467,086
Pending Claims	Not Reported	85	3,198	329	2,144
Average Pending Claim		$ 37,061	$ 95,185	$ 37,168	$ 93,167

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Loss and LAE Reserves	$49,169,991	$214,820,472	$34,620,513	$92,111,370	$91,382,026
Loss Reserves	36,479,309	193,840,370	25,735,482	71,136,609	64,770,083
LAE Reserves	12,690,682	20,980,102	8,885,031	20,974,761	26,611,943
Loss Reserves	36,479,309	193,840,370	25,735,482	71,136,609	64,770,083
Pending	16,196,513	49,830,781	6,839,370	20,444,445	20,476,433
IBNR	$20,282,796	$144,009,589	$18,896,112	$50,692,164	$44,293,650
Pending Claims	Not Reported	Not Reported	543	632	1,248
Average Pending Claim			$ 12,596	$ 32,349	$ 16,407

* Fiscal year ending June 1986.
** LAE Reserves included in Loss Reserves, and Pending and IBNR Loss Reserves also include LAE Reserves

Exhibit 6
Pending Claims

Calendar Year	Florida	Kansas*	Massachusetts	New Hampshire	New York
Prior to 1977			61	7	225
1977			71	10	154
1978			125	12	171
1979		1	210	19	204
1980			282	56	226
1981		1	442	45	286
1982		4	544	47	280
1983		16	598	39	275
1984		22	431	42	163
1985		41	278	31	114
1986			159	21	46
Total	Not Reported	85	3,201	329	2,144

Calendar Year	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Prior to 1977				7	18
1977				15	16
1978				25	25
1979				21	37
1980				39	31
1981			Not Reported	48	87
1982				32	216
1983				68	301
1984				105	185
1985				155	151
1986				117	181
Total	Not Reported	Not Reported	543	632	1,248

* Fiscal year ending June 1986

Exhibit 7A
Florida Reserve Development

Inception to 6/87

Fiscal Accident-Year Ending	Original Reserve	Developed Reserve At 6/87	Reserve Redundency/ (Deficiency)
1976	$ 6,164,771	$ 7,412,000	($ 1,247,229)
1977	9,096,805	6,604,000	2,492,805
1978	6,562,029	6,375,000	187,029
1979	7,392,625	8,562,000	(1,169,375)
1980	5,808,681	10,902,000	(5,093,319)
1981	4,190,641	12,199,000	(8,008,359)
1982	4,363,976	19,252,000	(14,888,024)
1983	11,616,665	12,995,000	(1,378,335)
1984	9,723,880	9,572,000	151,880
1985	4,652,588	7,350,000	(2,697,412)
1986	10,251,607	10,661,000	(409,393)
Total	$79,824,268	$111,884,000	($32,059,732)

1987 Development

Fiscal Accident-Year Ending	Developed Reserve At 6/86	Developed Reserve At 6/87	Reserve Redundency/ (Deficiency)
1976	$ 7,297,771	$ 7,412,000	($ 114,229)
1977	6,445,805	6,604,000	(158,195)
1978	6,248,771	6,375,000	(126,229)
1979	8,449,452	8,562,000	(112,548)
1980	10,238,881	10,902,000	(663,119)
1981	11,553,641	12,199,000	(645,359)
1982	18,551,984	19,252,000	(700,016)
1983	12,353,665	12,995,000	(641,335)
1984	9,087,710	9,572,000	(484,290)
1985	6,865,729	7,350,000	(484,271)
1986	10,251,607	10,661,000	(409,393)
Total	$107,345,016	$111,884,000	($4,538,984)

Exhibit 7B
New Hampshire Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1976	Not Available	$ 3,363,910	
1977	Not Available	3,518,476	
1978	Not Available	8,513,537	
1979	Not Available	8,279,818	
1980	Not Available	9,981,608	
1981	$ 2,664,765	6,025,096	($3,360,331)
1982	6,565,788	7,082,688	(516,900)
1983	12,413,053	8,069,379	4,343,674
1984	9,245,517	8,611,075	634,442
1985	14,309,916	11,332,367	2,977,549
Total*	$45,199,039	$41,120,605	$4,078,434

* 1981-1985 only

1986 Development

Accident-Year	Developed Reserve At 12/85	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1976	$ 3,309,535	$ 3,363,910	($ 54,375)
1977	3,444,172	3,518,476	(74,304)
1978	7,658,600	8,513,537	(854,937)
1979	8,042,983	8,279,818	(236,835)
1980	8,422,646	9,981,608	(1,558,962)
1981	5,552,173	6,025,096	(472,923)
1982	6,842,444	7,082,688	(240,244)
1983	8,144,867	8,069,379	75,488
1984	10,649,576	8,611,075	2,038,501
1985	14,309,916	11,332,367	2,977,549
Total	$76,376,912	$74,777,954	$1,598,958

Exhibit 7C
New York Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1975	$ 8,084,387	$ 26,489,746	($18,405,359)
1976	44,007,000	67,658,561	(23,651,561)
1977	13,614,000	54,711,322	(41,097,322)
1978	23,668,000	52,739,596	(29,071,596)
1979	40,633,000	63,579,337	(22,946,337)
1980	42,346,997	66,156,355	(23,809,358)
1981	49,079,674	74,270,781	(25,191,107)
1982	65,175,744	60,479,229	4,696,515
1983	56,309,053	63,456,848	(7,147,795)
1984	30,476,829	35,692,499	(5,215,670)
1985	127,759,152	126,825,508	933,644
Total	$501,153,836	$692,059,782	($190,905,946)

1986 Development

Accident-Year Ending	Developed Reserve At 12/85	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1975	$ 30,995,387	$ 26,489,746	$ 4,505,822
1976	44,007,000	67,658,561	6,722,464
1977	13,614,000	54,711,322	7,050,073
1978	23,668,000	52,739,596	8,039,883
1979	40,633,000	63,579,337	8,583,301
1980	42,346,997	66,156,355	8,344,643
1981	49,079,674	74,270,781	5,161,236
1982	63,898,700	60,479,229	3,419,471
1983	64,411,422	63,456,848	954,574
1984	30,993,498	35,692,499	(699,001)
1985	127,759,152	126,825,508	933,644
Total	$745,075,892	$692,059,782	$53,016,110

Exhibit 7D
Rhode Island Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1976		Not Available	
1977		Not Available	
1978		Not Available	
1979		Not Available	
1980	$ 10,128,614	$ 20,088,500	($ 9,959,886)
1981	11,979,104	18,973,280	(6,994,176)
1982	18,373,088	27,696,332	(9,323,244)
1983	23,186,372	27,063,041	(3,876,669)
1984	35,545,996	30,265,087	5,280,909)
1985	49,424,676	41,345,909	8,078,767
Total	$148,637,850	$165,432,149	'$16,794,299)

1986 Development

Accident-Year Ending	Developed Reserve At 12/85	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1976		Not Available	
1977		Not Available	
1978		Not Available	
1979		Not Available	
1980	$ 22,131,654	$ 20,088,500	$ 2,043,154
1981	20,800,775	18,973,280	1,827,495
1982	29,658,870	27,696,332	1,962,538
1983	33,415,608	27,063,041	6,352,567
1984	38,591,894	30,265,087	8,326,807
1985	49,424,676	41,345,909	8,078,767
Total	$194,023,477	$165,432,149	$28,591,328

Exhibit 7E
South Carolina Reserve Development

Inception to 9/86			
Fiscal Accident-Year Ending	Original Reserve	Developed Reserve 9/86	Reserve Redundency/ (Deficiency)
1976	$ 2,126,101	$ 2,603,948	($ 477,847)
1977	Not Available	2,095,852	
1978	Not Available	3,986,536	
1979	Not Available	3,653,092	
1980	3,737,827	5,119,514	(1,381,687)
1981	3,842,800	5,161,456	(1,318,656)
1982	3,869,282	6,150,558	(2,281,276)
1983	4,416,289	8,147,593	(3,731,304)
1984	5,021,646	7,456,239	(2,434,593)
1985	9,780,856	7,187,558	2,593,298
1986	11,369,569	8,828,585	2,540,984
Total*	$44,164,370	$50,655,451	($6,491,081)

* Total of years 1976, 1980-1986

Exhibit 7F
Texas Reserve Development

Inception to 12/86			
Accident-Year	Original Reserve	Developed Reserve 12/86	Reserve Redundency/ (Deficiency)
1976	$ 5,767,277	$ 5,221,059	$ 546,218
1977	9,211,976	9,089,105	122,871
1978	8,819,748	9,241,901	(422,153)
1979	6,451,681	10,455,859	(4,004,178)
1980	3,728,214	10,978,531	(7,250,317)
1981	3,380,338	8,370,758	(4,990,420)
1982	3,342,294	7,042,592	(3,700,298)
1983	3,944,716	8,439,717	(4,495,001)
1984	8,628,249	11,149,623	(2,521,374)
1985	23,864,797	23,864,797	0
Total	$77,139,290	$103,853,942	($26,714,652)

1986 Development			
Accident-Year	Developed Reserve 12/85	Developed Reserve 12/86	Reserve Redundency/ (Deficiency)
1976	$ 5,201,944	$ 5,221,059	($ 19,115)
1977	9,089,105	9,089,105	0
1978	9,362,503	9,241,901	120,602
1979	10,455,859	10,455,859	0
1980	9,625,278	10,978,531	(1,353,253)
1981	8,567,057	8,370,758	196,299
1982	7,042,592	7,042,592	0
1983	8,232,318	8,439,717	(207,399)
1984	11,149,623	11,149,623	0
1985	23,864,797	23,864,797	0
Total	$102,591,076	$103,853,942	($1,262,866)

Exhibit 8
Cumulative Payout Pattern

Year	Florida	New Hampshire	New York	Rhode Island	South Carolina*	Texas
0	0.7%	0.1%	0.3%	0.2%	1.0%	0.5%
1	6.8	3.5	0.7	2.6	6.8	3.8
2	25.1	16.2	1.8	7.0	23.0	16.0
3	49.7	29.9	4.6	17.6	41.7	27.5
4	72.1	43.8	9.7	29.7	64.6	44.4
5	83.7	55.8	16.7	43.9	78.3	61.3
6	92.6	65.0	24.0	55.3	84.4	71.0
7	96.8	71.5	33.9	65.6	89.3	76.8
8	98.8	76.1	43.2	77.3	95.2	80.4
9	100.0	78.6	51.3	80.6	99.2	82.9
10		80.5	59.4	84.0	100.0	86.0
11		82.2	66.2	87.6		89.5
12		84.1	74.6	91.0		93.0
13		86.3	78.2	94.4		96.5
14		88.7	81.3	100.0		98.2
15		91.3	84.5			100.0
16		93.8	88.1			
17		96.1	92.6			
18		97.9	96.5			
19		99.1	98.8			
20		99.6	100.0			
21		100.0				
Median Payout Term-Years	3.0	4.6	8.8	5.5	3.4	4.3

* Fiscal year ending June 1986

Exhibit 9A
Florida Payout Pattern as
Cumulative Percent of Total Incurred

Calendar Year	Fiscal Accident Year Ending 1978	1979	1980	1981	1982
0	1.0%	0.7%	1.3%	0.7%	0.5%
1	8.5	5.7	8.2	6.9	4.3
2	31.9	22.7	28.8	19.3	17.5
3	50.6	54.1	51.1	40.0	52.1
4	74.9	72.2	72.2	58.3	66.1
5	89.6	81.7	84.2	69.2	81.1
6	94.6	89.6	93.9	84.1	90.2
7	98.2	93.6	97.5	93.5	96.0
8	98.8	97.8	99.1	97.8	98.6
9	100.0	100.0	100.0	100.0	100.0
Median in Years	3.0	2.9	3.0	3.5	2.9

Calendar Year	1983	1984	1985	1986	Average
0	1.1%	0.0%	0.4%	0.4%	0.7%
1	8.9	4.3	4.3	8.2	6.8
2	26.0	14.3	25.1	28.2	25.1
3	39.1	41.5	48.9	51.0	49.7
4	69.4	70.6	74.3	75.3	72.1
5	82.9	83.6	85.7	86.3	83.7
6	91.2	91.5	92.6	92.9	92.6
7	96.4	96.5	97.0	97.1	96.8
8	98.8	98.8	99.0	99.0	98.8
9	100.0	100.0	100.0	100.0	100.0
Median in Years	3.4	3.3	3.0	3.0	3.0

Exhibit 9B
New Hampshire Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1980	1981	1982	1983	1984	1985	1986	Average
0	0.0%	0.1%	0.4%	0.2%	0.0%	0.0%	0.0%	0.1%
1	0.8	11.6	3.6	2.0	0.6	0.4	5.6	3.5
2	18.1	17.9	12.7	13.9	15.2	15.4	19.9	16.2
3	27.6	23.1	26.0	34.9	31.1	31.3	35.0	29.9
4	41.4	35.9	38.1	49.4	46.2	46.4	49.4	43.8
5	45.9	48.6	53.9	61.7	59.1	59.4	61.7	55.8
6	57.2	60.2	64.2	69.5	67.2	67.5	69.4	65.0
7	65.4	68.2	71.4	74.9	72.8	73.1	74.8	71.5
8	71.3	73.9	76.5	78.8	76.8	77.1	78.6	76.1
9	74.4	77.1	79.2	80.8	78.8	79.2	80.6	78.6
10	76.8	79.6	81.3	82.3	80.4	80.8	82.2	80.5
11	79.0	81.6	83.2	83.8	82.0	82.3	83.6	82.2
12	81.3	83.7	85.1	85.5	83.8	84.2	85.3	84.1
13	83.8	86.0	87.1	87.4	86.0	86.3	87.3	86.3
14	86.7	88.5	89.4	89.6	88.4	88.7	89.5	88.7
15	89.8	91.1	91.9	92.0	91.1	91.3	91.9	91.3
16	92.7	93.7	94.2	94.3	93.7	93.8	94.3	93.8
17	95.4	96.0	96.3	96.4	96.0	96.1	96.4	96.1
18	97.5	97.8	98.0	98.1	97.8	97.9	98.0	97.9
19	99.0	99.1	99.2	99.2	99.1	99.1	99.2	99.1
20	99.6	99.6	99.6	99.7	99.6	99.6	99.6	99.6
21	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	5.9	5.1	4.8	4.1	4.3	4.3	4.0	4.6

Exhibit 9C
New York Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.0%	0.6%	0.1%	0.0%	0.3%	0.3%	0.4%	0.5%	0.6%	0.9%	0.1%	0.1%	0.3%
1	0.6	1.1	0.7	0.7	0.8	0.7	0.7	0.7	0.9	1.2	0.2	0.2	0.7
2	1.9	2.5	2.5	2.2	2.2	1.8	1.8	1.5	2.0	2.1	0.7	0.5	1.8
3	4.1	8.1	7.8	5.9	5.6	4.2	3.5	3.7	3.9	5.7	1.7	1.1	4.6
4	11.7	14.9	11.0	13.5	13.0	10.1	7.3	7.4	10.1	11.8	3.2	1.9	9.7
5	17.5	23.3	18.6	19.1	21.1	17.3	11.1	14.9	17.4	19.0	11.2	10.1	16.7
6	24.4	29.5	25.3	27.0	26.7	23.2	19.6	22.8	25.1	26.5	19.5	18.5	24.0
7	31.9	37.3	40.5	36.6	31.3	34.5	30.6	33.0	35.0	36.2	30.3	29.3	33.9
8	45.5	45.8	49.4	41.2	42.0	44.0	39.7	41.6	43.3	44.4	39.3	38.5	43.2
9	54.9	53.2	53.8	51.9	52.1	53.0	48.5	49.8	51.3	52.2	48.0	47.2	51.3
10	64.7	57.7	65.8	62.5	61.8	61.4	56.0	56.8	58.0	58.8	55.3	54.7	59.4
11	68.2	72.3	75.0	70.7	69.2	67.7	61.7	62.0	63.0	63.7	60.9	60.3	66.2
12	89.1	88.0	84.8	79.2	76.9	74.1	67.4	67.1	67.9	68.5	66.3	65.8	74.6
13	90.6	89.7	87.0	82.1	80.2	77.7	71.9	71.7	72.4	72.9	71.0	70.6	78.2
14	92.0	91.2	88.8	84.7	83.0	80.9	75.9	75.7	76.3	76.8	75.1	74.7	81.3
15	93.4	92.7	90.8	87.3	85.9	84.2	80.1	79.9	80.5	80.8	79.5	79.2	84.5
16	94.9	94.4	92.9	90.3	89.2	87.9	84.7	84.6	85.0	85.3	84.3	84.0	88.1
17	96.8	96.5	95.6	93.9	93.3	92.4	90.5	90.4	90.6	90.8	90.2	90.1	92.6
18	98.5	98.4	97.9	97.2	96.8	96.5	95.5	95.5	95.6	95.7	95.4	95.4	96.5
19	99.5	99.4	99.3	99.0	98.9	98.8	98.5	98.4	98.5	98.5	98.4	98.4	98.8
20	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	8.1	8.6	8.1	8.8	8.8	8.7	9.2	9.0	8.8	8.7	9.3	9.4	8.8

Exhibit 9D

Rhode Island Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.3%	0.2%	0.2%	0.1%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
1	1.7	0.5	0.8	1.0	1.8	1.0	7.1	1.6	8.0	0.7	4.1	2.6
2	4.4	2.8	2.5	3.6	14.8	4.3	13.3	8.7	10.8	4.0	7.4	7.0
3	10.3	5.1	13.6	19.1	30.5	17.6	21.9	11.5	24.3	18.4	21.3	17.7
4	20.1	9.8	20.5	41.0	48.6	26.5	28.5	26.9	37.5	32.6	34.9	29.2
5	22.4	31.4	32.2	70.6	56.3	44.5	42.7	40.8	49.2	45.3	47.3	43.5
6	41.0	40.9	56.8	72.6	59.1	55.9	54.4	53.0	59.7	56.5	58.1	55.0
7	62.4	64.5	58.3	79.1	67.3	64.6	63.5	62.3	67.6	65.8	66.3	65.4
8	80.7	66.5	65.5	87.1	79.9	78.2	77.5	76.8	80.0	78.5	79.2	77.2
9	80.1	69.8	71.3	89.6	83.7	82.0	81.4	80.7	83.3	82.0	82.6	80.5
10	80.3	75.8	76.9	91.6	86.9	85.5	85.1	84.4	86.5	85.4	86.0	84.0
11	85.3	81.2	82.0	93.4	89.8	88.7	88.4	87.8	89.5	88.6	89.0	87.6
12	89.5	86.3	86.9	95.2	92.6	91.8	91.6	91.2	92.4	91.7	92.0	90.9
13	93.5	91.4	91.8	97.0	95.4	94.9	94.8	94.5	95.2	94.8	95.0	94.4
14	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	6.4	6.4	5.8	4.3	4.2	5.5	5.6	5.8	5.1	5.7	5.3	5.6

Exhibit 9E
South Carolina Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.1%	0.3%	4.9%	0.2%	1.5%	0.1%	1.5%	0.1%	0.3%	0.2%	1.3%	1.0%
1	8.8	7.7	11.7	2.7	7.9	2.0	5.7	5.8	5.4	9.9	7.0	6.8
2	12.2	22.0	26.0	18.4	22.5	20.5	29.7	28.2	22.9	26.6	24.2	23.0
3	23.2	49.3	53.3	29.0	35.6	48.7	43.8	44.7	42.2	45.2	43.2	41.7
4	40.5	60.0	72.6	58.2	71.3	69.8	69.6	67.9	66.2	68.0	66.9	64.6
5	46.7	73.9	82.7	83.4	81.9	83.8	82.7	81.9	80.9	81.9	81.3	78.3
6	61.0	82.9	87.8	87.5	89.2	87.8	87.0	86.5	85.7	86.5	86.0	84.4
7	76.0	87.5	90.6	89.3	92.8	91.9	91.4	91.0	90.4	91.0	90.7	89.3
8	96.0	90.5	96.3	94.7	96.4	95.9	95.7	95.5	95.2	95.5	95.3	95.2
9	100.0	98.6	99.5	99.0	99.3	99.2	99.2	99.1	99.1	99.1	99.1	99.2
10	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	5.2	3.1	2.9	3.7	3.4	3.1	3.2	3.2	3.3	3.2	3.3	3.4

Exhibit 9F
Texas Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.2%	3.4%	0.1%	0.0%	0.0%	0.3%	0.5%	0.0%	0.1%	0.3%	0.3%	0.5%
1	5.1	8.1	2.6	0.7	4.8	2.4	6.1	0.8	2.6	7.9	1.3	3.8
2	18.7	13.3	4.8	15.1	12.3	18.2	18.3	17.5	20.1	21.8	16.2	16.0
3	28.0	22.2	12.8	27.3	26.7	29.9	40.7	28.0	29.6	31.1	26.2	27.5
4	51.9	32.0	20.5	32.4	43.0	53.8	62.4	47.2	48.6	49.7	46.1	44.4
5	66.6	43.5	44.8	37.4	54.5	59.0	79.8	71.8	72.4	73.0	71.1	61.3
6	74.4	51.7	47.6	60.6	59.8	73.1	86.8	81.5	81.9	82.3	81.0	71.0
7	76.9	57.4	53.2	69.8	70.4	80.2	90.3	86.4	86.7	87.0	86.0	76.8
8	77.4	66.4	63.0	74.2	74.6	83.0	91.6	88.3	88.6	88.8	88.0	80.4
9	77.6	67.9	69.2	78.5	78.8	85.9	93.0	90.3	90.5	90.7	90.0	82.9
10	78.1	74.3	75.3	82.8	83.1	88.7	94.4	92.2	92.4	92.6	92.0	86.0
11	83.6	80.7	81.5	87.1	87.3	91.5	95.8	94.2	94.3	94.4	94.0	89.5
12	89.1	87.2	87.7	91.4	91.5	94.3	97.2	96.1	96.2	96.3	96.0	93.0
13	94.5	93.6	93.8	95.7	95.8	97.2	98.6	98.1	98.1	98.1	98.0	96.5
14	97.3	96.8	96.9	97.8	97.9	98.6	99.3	99.0	99.0	99.1	99.0	98.2
15	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	3.9	5.8	6.4	5.5	4.1	3.8	3.4	4.1	4.1	4.0	4.2	4.3

Exhibit 10
Discounted Reserves

Year-End 1986	Florida	Kansas(1)	Massachusetts(2)	New Hampshire	New York
Invested Assets	$47,107,399	$5,780,445	$344,373,404	31,763,343	394,296,774
Discounted Reserves	42,939,860	3,425,296	709,625,912	38,072,792	526,765,868
Difference	4,167,539	2,355,149	(365,252,508)	(6,309,449)	(132,469,094)

Year-End 1986	Pennsylvania(3)	Rhode Island	South Carolina(1)	Texas	Wisconsin(4)
Invested Assets	$52,070,239	$70,805,324	$19,364,743	75,648,827	70,673,067
Discounted Reserves	49,169,991	151,960,844	22,912,118	68,234,177	70,546,924
Difference	2,900,248	(81,155,520)	(3,547,375)	7,414,650	126,143

(1) Fiscal year ending 6-30-86
(2) Discounted 1986 reserve assuming Rhode Island runoff
(3) Statutory reserve discounted at 6%
(4) Discounted at 7.5%

Exhibit 11
Current Invested Assets vs. Reserve Runoff

	New Hampshire		Rhode Island		South Carolina		New York	
Year	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets
1986		31,763,343		$70,805,324		$19,364,743		394,296,774
1987	$ 8,352,341	24,631,568	$ 24,767,818	49,052,810	6,613,602	13,754,604	$ 59,123,046	351,664,566
1988	8,276,921	18,284,048	27,875,137	25,444,543	6,659,888	8,557,153	56,841,397	324,853,927
1989	7,011,362	12,704,882	30,424,206	(2,766,363)	5,492,701	3,974,277	47,912,246	304,682,916
1990	5,628,411	8,071,649	27,675,907	0	4,318,580	78,256	51,710,817	278,990,811
1991	4,233,073	4,470,832	23,471,568	0	2,596,681	(2,510,105)	76,303,665	226,511,853
1992	3,017,073	1,803,961	18,885,304	0	1,451,790	0	74,881,876	170,973,190
1993	2,335,986	(390,726)	15,982,665	0	1,100,394	0	79,106,799	106,466,823
1994	1,903,349	0	13,573,235	0	749,172	0	68,932,821	46,625,846
1995	1,628,343	0	7,688,552	0	399,656	0	64,359,049	(13,751,541)
1996	1,567,084	0	7,049,365	0	79,676	0	55,451,333	0
1997	1,537,300	0	5,890,924	0	0	0	46,637,784	0
1998	1,490,882	0	4,771,634	0	0	0	44,006,666	0
1999	1,401,292	0	4,087,419	0	0	0	38,793,771	0
2000	1,259,734	0	2,676,737	0	0	0	33,861,730	0
2001	1,096,903	0	0	0	0	0	32,310,136	0
2002	877,939	0	0	0	0	0	31,847,893	0
2003	658,555	0	0	0	0	0	33,408,039	0
2004	436,821	0	0	0	0	0	26,063,289	0
2005	245,065	0	0	0	0	0	14,444,317	0
2006	106,445	0	0	0	0	0	6,602,439	0
2007	47,057	0	0	0	0	0	0	0
Remaining Liability	$14,600,432		$134,519,673		$6,290,793		$377,178,938	

Exhibit 12A
Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	20.9%	20.9%	7-9-78
1979	-24.8%	-24.8%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	10.0%	10.0%	6-29-81
1982	30.4%	30.4%	9-9-82
1983	25.4%	25.4%	6-28-83
1984	77.6%	77.6%	6-1-84
1985	46.4%	46.4%	7-1-85
1986	20.0%	10.0%	6-29-86

Florida Rate Filings for Hospitals and Other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	-8.6%	-8.6%	7-9-78
1979	-19.6%	-19.6%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	17.3%	17.3%	6-29-81
1982	29.5%	29.5%	9-9-82
1983	50.4%	50.4%	6-28-83
1984	41.4%	41.4%	6-1-84
1985	6.2%	6.2%	7-1-85
1986	99.0%	45.0%	6-29-86

Exhibit 12B
Massachusetts Rate Filings for Physicians and Surgeons*

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		7.3%	
1978		0.0%	
1979		0.0%	
1980		10.0%	
1981		0.0%	
1982		9.1%	
1983	162.0%	42.0%	5-18-84 Appealed
1983 Supplement	188.0%	68.1%	6-11-86
1984	41.6%	10.9%	6-11-86
1985	71.1%	23.6%	3-4-87
1986	10.3%	8.7%	3-4-87

* Amount requested and final decision date not reported for 1977-1982

Exhibit 12C
New Hampshire Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	NO ACTIVITY		
1979	NO ACTIVITY		
1980	45.0%	45.0%	6-24-80
1981	50.0%	50.0%	6-2-81
1982	70.0%	70.0%	6-9-82
1983	30.0%	30.0%	6-83
1984	Basic 5.1%	5.1%	6-13-84
	Excess 15.0%	15.0%	6-13-84
1985	NO ACTIVITY		
1986	9.3%	0.0%	9-86

Exhibit 12D
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0%	Disapproved	6-78
1979	104.0%	Disapproved	6-79
1980	186.0%	Disapproved	6-80
1981	210.0%	58.5%	10-81
1982	243.0%	15.0%	12-82
1983	180.0%	83.3%	1-85
1984	62.0%	52.3%	1-85
1985	128.0%	14.0%	7-86
1986	135.0%	9.0%	Pending

Exhibit 12E
Rhode Island Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	34.1%		No hearing
1979	9.7%	9.7%	6-27-79
1980	25.3%		Withdrawn
1981	Basic 7.4%		
	Excess 12.7%		
	Total 21.0%	12.7%	6-17-81
1982	Basic 41.3%	23.1%	6-23-82
1983	Basic 43.3%	24.0%	6-30-83
	Excess 24.7%		
1984	Basic 44.6%	11.5%	6-27-84
	Excess 25.9%	16.7%	
1985	Basic 101.3%	30.0%	6-28-85
	Excess 14.8%	14.8%	
	Total 131.3%		
1986	Total 91.4%	36.1%	7-1-87

Exhibit 12F
South Carolina Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%	50.0%	7-1-77
1978	Hospital	133.0%	133.0%	7-1-78
1979		NO ACTIVITY		
1980		NO ACTIVITY		
1981	Physicians	40.0%	40.0%	7-1-81
1982		NO ACTIVITY		
1983	Physicians	25.0%	25.0%	7-1-83
	Hospital	20.0%	20.0%	7-1-83
1984		NO ACTIVITY		
1985	Physicians	25.0%	25.0%	1-1-85
	Hospital	40.0%	40.0%	1-1-85
1986	Physicians	25.0%	25.0%	1-9-86
	Hospital	45.0%	45.0%	1-9-86

Exhibit 12G
Texas Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1979	NO ACTIVITY		
1980	NO ACTIVITY		
1981	50.0% (A)	Disapproved	4-16-81
1982	NO ACTIVITY		
1983	263.0% (B)	263.0%	11-10-83
1984	NO ACTIVITY		
1985	50.0% (C)	50.0%	5-21-85
	50.0% (D)	50.0%	10-29-85
1986	156.3% (E)	104.7%	8-1-86
	161.9% (F)	109.9%	8-1-86

(A) Hospital
(B) Dentists and oral surgeons
(C) Physicians, surgeons, hospitals, and other institutions
(D) Podiatrists
(E) Physicians and other non-institutional health care providers
(F) Hospitals and other institutional health care providers

Exhibit 12H
Wisconsin Rate Filings for Physicians

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	51.5%	35.0%	7-1-84
1985	69.6%	69.6%	7-1-85
1986	32.2%	32.2%	7-1-86

Wisconsin Rate Filings for Hospitals

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	67.2%	49.0%	7-1-84
1985	52.4%	52.4%	7-1-85
1986	51.4%	51.4%	7-1-86

1985
EXHIBITS

Exhibit 1
1985 Market Share

State	Percent
Florida	5.5%
Kansas	3.8
Massachusetts	73.0
New Hampshire	56.1
New York	12.5
Pennsylvania	3.2
Rhode Island	87.4
South Carolina	52.4
Texas	11.8
Wisconsin	20.7

Exhibit 2
Balance Sheet—Statutory

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire	New York
Assets	$37,253,884	$5,894,884	$329,234,727	$ 27,268,035	$ 339,203,655
Liabilities	37,253,884	5,894,884	933,923,953	55,366,103	654,100,015
Surplus	0	0	(604,689,226)	(28,098,068)	(314,896,360)

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Assets	$47,672,988	$54,699,571	$19,351,273	$69,555,895	$ 69,008,247
Liabilities	42,647,851	194,566,880	37,793,955	75,951,364	91,655,342
Surplus	5,025,137	(139,867,309)	(18,442,682)	(6,395,469)	(22,647,095)

Exhibit 3
Assets

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire	New York
Assets	$37,253,884	$5,894,884	$329,234,727	$27,268,035	$339,203,655
Invested	35,557,723	5,780,445	308,644,984	24,514,859	330,158,197
Bonds	31,511,680	0	299,420,702	18,194,147	304,167,727
Short Term	0	4,718,959	2,430,000	5,310,014	25,959,343
Cash	4,046,043	1,061,486	6,794,282	1,010,698	31,127
Other	0	0	0	0	0
Non-Invested	1,696,161	114,439	20,589,743	2,753,176	9,045,458
Premium Balance	739,983	0	11,658,541	2,173,895	1,140,912
Other	956,178	114,439	8,931,202	579,281	7,904,546
Embedded Yield	10.64%	Not Reported	Not Reported	9.85%	11.24%
Bond Maturity in Years	5.0	Not Reported	Not Reported	3.7	9.0

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Assets	$47,672,988	$54,699,571	$19,351,273	$69,555,895	$69,008,247
Invested	46,252,509	47,690,134	18,803,355	57,551,478	67,292,777
Bonds	40,093,262	40,755,073	17,995,341	46,610,080	36,490,726
Short Term	5,348,870	400,100	855,000	8,793,387	30,131,761
Cash	810,377	534,727	(46,986)	2,148,011	(196,710)
Other	0	6,000,234	0	0	867,000
Non-Invested	1,420,479	7,009,437	547,918	12,004,417	1,715,470
Premium Balance	46,591	5,681,426	54,423	990,563	681,509
Other	1,373,888	1,328,011	493,495	11,013,854	1,033,961
Embedded Yield	Not Reported	9.00%	10.63%	10.29%	Not Reported
Bond Maturity in Years	Not Reported	4.1	1.6	2.2	Not Reported

Exhibit 4
Cash Flow

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire	New York
Income	$13,225,396	$1,342,124	$91,871,516	$14,407,287	$110,310,315
Premium	8,015,450	997,099	58,977,641	12,321,797	67,614,200
Investment Income	5,209,946	345,025	32,893,875	2,085,490	29,242,335
Other Income	0	0	0	0	13,453,780
Expenditures	14,287,301	3,279,336	59,859,945	5,453,193	32,368,467
Paid Claims	9,408,624	2,409,043	43,356,392	3,332,653	22,538,264
Loss Adj. Exp.	4,038,555	525,615	10,176,818	1,436,908	8,782,977
Other Expenses	840,122	344,678	6,326,735	683,632	1,047,226
Net Cash Flow	(1,061,905)	(1,937,212)	32,011,571	8,954,094	77,941,848

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Income	$9,517,203	$18,374,703	$9,300,269	$18,640,542	$12,718,754
Premium	5,365,282	14,143,632	7,333,282	12,617,914	7,243,094
Investment Income	4,151,921	4,231,071	1,966,987	6,022,628	5,475,660
Other Income	0	0	0	0	0
Expenditures	6,350,485	12,374,893	7,853,938	14,013,072	13,442,466
Paid Claims	3,482,242	9,148,642	4,899,749	8,776,911	8,200,116
Loss Adj. Exp.	2,385,804	1,784,952	2,230,584	1,597,911	4,476,657
Other Expenses	482,439	1,441,299	723,605	3,638,250	765,693
Net Cash Flow	3,166,718	5,999,810	1,446,331	4,627,470	(723,712)

Exhibit 5
Loss and LAE Reserves

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire*	New York
Loss and LAE Reserves	$31,370,199	$4,893,280	$892,641,205	$48,313,767	$608,637,369
Loss Reserves	23,906,630	3,495,200	622,520,813	35,385,942	477,222,564
LAE Reserves	7,463,569	1,398,080	270,120,392	12,927,825	131,414,805
Loss Reserves	23,906,630	3,495,200	622,520,813	48,313,768	477,222,564
Pending	18,929,354	3,150,200	260,974,445	$10,825,013	209,264,506
IBNR	$ 4,977,276	$ 345,000	$361,546,368	37,488,755	$267,958,058
Pending Claims	Not Reported	85	3,686	299	2,206
Average Pending Claim		$ 37,061	$ 70,802	$ 36,204	$ 94,862

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Loss and LAE Reserves	$40,413,518	$181,556,591	$32,209,768	66,234,097	$86,783,687
Loss Reserves	31,763,621	156,480,809	23,929,312	59,940,887	60,263,076
LAE Reserves	8,649,897	25,075,782	8,280,456	6,293,210	26,520,611
Loss Reserves	31,763,621	156,480,809	23,929,312	59,940,887	60,263,076
Pending	15,177,146	41,674,777	7,286,938	18,646,284	16,412,853
IBNR	$16,586,475	$114,806,032	$16,642,374	$41,294,603	$43,850,223
Pending Claims	Not Reported	901	494	551	1,147
Average Pending Claim		$ 46,254	$ 14,751	$ 33,841	$ 14,309

* Pending and IBNR Loss Reserves also include LAE Reserves

Exhibit 6
Pending Claims

Calendar Year	Florida	Kansas	Massachusetts	New Hampshire	New York
1975	Not Reported		36		79
1976	Not Reported		34	7	198
1977	Not Reported		103	15	188
1978	Not Reported		151	17	229
1979	Not Reported	1	226	31	248
1980	Not Reported		336	55	271
1981	Not Reported	1	479	50	323
1982	Not Reported	4	610	36	295
1983	Not Reported	16	573	37	262
1984	Not Reported	22	567	34	91
1985	Not Reported	41	571	17	22
Total	Not Reported	85	3,686	299	2,206

Calendar Year	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
1975	Not Reported	8		1	2
1976	Not Reported	15	3	28	10
1977	Not Reported	21	10	45	22
1978	Not Reported	34	7	54	32
1979	Not Reported	50	23	61	27
1980	Not Reported	90	28	62	48
1981	Not Reported	156	45	50	140
1982	Not Reported	208	121	60	314
1983	Not Reported	161	103	82	197
1984	Not Reported	94	97	54	183
1985	Not Reported	64	57	54	174
Total	Not Reported	901	494	551	1,147

Exhibit 7
Reserve Development

Florida (Fiscal Year)

Accident Year	Original Reserve	Developed Reserve	Redundency/ (Deficiency)
1975	$ 6,164,771	$ 7,297,771	($ 1,133,000)
1976	9,096,805	6,445,805	2,651,000
1977	6,562,029	6,248,771	313,258
1978	7,392,625	8,449,452	(1,056,827)
1979	5,808,681	10,238,881	(4,430,200)
1980	4,190,641	11,553,641	(7,363,000)
1981	4,363,976	18,551,984	(14,188,008)
1982	11,616,665	12,353,665	(737,000)
1983	9,723,880	9,087,710	636,170
1984	4,652,588	6,865,729	(2,213,141)
1985	10,251,607	10,251,607	0

New Hampshire

Original Reserve	Developed Reserve	Redundency/ (Deficiency)
Not Available	$ 3,309,535	
Not Available	3,444,172	
Not Available	7,658,600	
Not Available	8,042,983	
Not Available	8,422,646	
$ 2,664,765	5,552,173	($2,887,408)
6,565,788	6,842,444	(276,656)
12,413,053	8,144,867	4,268,186
9,245,517	10,649,576	(1,404,059)
14,309,916	14,309,916	0

New York

Accident Year	Original Reserve	Developed Reserve	Redundency/ (Deficiency)
1975	$ 8,084,387	$ 30,995,568	($22,911,181)
1976	44,007,000	74,381,025	(30,374,025)
1977	13,614,000	61,761,395	(48,147,395)
1978	23,668,000	60,779,479	(37,111,479)
1979	40,633,000	72,162,638	(31,529,638)
1980	42,346,997	74,500,998	(32,154,001)
1981	49,079,674	79,432,017	(30,352,343)
1982	65,175,744	63,898,700	1,277,044
1983	56,309,053	64,411,422	(8,102,369)
1984	30,476,829	34,993,498	(4,516,669)
1985	127,759,152	127,759,152	0

Rhode Island

Original Reserve	Developed Reserve	Redundency/ (Deficiency)
	Not Available	
	Not Available	
	Not Available	
	Not Available	
$10,128,614	$22,131,654	($12,003,040)
11,979,104	20,800,775	(8,821,671)
18,373,088	29,658,870	(11,285,782)
23,186,372	33,415,608	(10,229,236)
35,545,996	38,591,894	(3,045,898)
49,424,676	49,424,676	0

South Carolina (Fiscal Year)

Accident Year	Original Reserve	Developed Reserve	Redundency/ (Deficiency)
1975	$ 2,126,101	$2,603,948	($ 477,847)
1976	Not Available	2,095,852	
1977	Not Available	3,986,536	
1978	Not Available	3,653,092	
1979	3,737,827	5,119,514	(1,381,687)
1980	3,842,800	5,161,456	(1,318,656)
1981	3,869,282	6,150,558	(2,281,276)
1982	4,416,289	8,147,593	(3,731,304)
1983	5,021,646	7,456,239	(2,434,593)
1984	9,780,856	7,187,558	2,593,298
1985	11,369,569	8,828,585	2,540,984

Texas

Original Reserve	Developed Reserve	Redundency/ (Deficiency)
$ 5,767,277	$ 5,201,944	$ 565,333
9,211,976	9,089,105	122,871
8,819,748	9,362,503	(542,755)
6,451,681	10,455,859	(4,004,178)
3,728,214	9,625,278	(5,897,064)
3,380,338	8,567,057	(5,186,719)
3,342,294	7,042,592	(3,700,298)
3,944,716	8,232,318	(4,287,602)
8,628,249	11,149,623	(2,521,374)
23,864,797	23,864,797	0

Exhibit 8
Cumulative Payout Pattern

Year	Florida	New Hampshire	New York	Rhode Island	South Carolina	Texas
0	0.4%	0.1%	0.3%	0.1%	1.0%	0.5%
1	7.3	3.8	0.7	2.4	6.8	3.5
2	26.3	15.0	1.9	6.6	23.0	15.3
3	50.0	28.5	4.8	17.1	41.7	27.2
4	72.7	40.5	10.3	28.8	64.6	43.5
5	84.8	58.5	17.1	42.0	78.3	62.0
6	92.0	73.6	24.6	53.4	84.4	72.1
7	97.0	77.2	35.1	64.0	89.3	77.5
8	98.8	80.9	45.3	77.4	95.2	80.7
9	100.0	86.7	51.5	80.8	99.2	83.6
10		93.2	60.0	84.7	100.0	87.1
11		98.1	67.7	88.2		90.3
12		99.7	73.5	91.4		93.5
13		100.0	77.8	94.6		96.8
14		100.0	81.6	100.0		98.4
15		100.0	84.4			100.0
16			88.3			
17			89.8			
18			94.4			
19			96.8			
20			100.0			
Median Payout Term-Years	3.0	4.5	8.8	5.7	3.4	4.4

Exhibit 9A
Florida Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Fiscal Accident Year Ending 1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.5%	0.6%	1.0%	0.5%	0.6%	0.3%	0.1%	0.3%	0.0%	0.4%
1	7.7	5.6	6.2	7.7	5.2	7.3	10.0	7.1	8.0	7.3
2	37.9	24.2	21.2	22.8	16.4	28.0	20.9	27.0	28.5	26.3
3	71.9	48.1	47.8	46.5	32.3	43.3	46.3	50.3	50.9	50.0
4	85.2	81.3	67.3	66.1	59.6	71.4	72.6	74.8	75.7	72.7
5	91.5	91.4	83.1	79.6	77.5	84.1	84.8	86.0	86.4	84.8
6	94.2	94.1	89.6	89.5	88.1	91.7	92.1	92.7	92.9	92.0
7	97.6	96.8	95.6	95.8	95.1	96.6	96.8	97.1	97.1	97.0
8	98.5	98.9	98.5	98.5	98.3	98.8	98.9	99.0	99.0	98.8
9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	2.4	3.1	3.1	3.2	3.6	3.2	3.1	3.0	3.0	3.0

Exhibit 9B
New Hampshire Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1980	1981	1982	1983	1984	1985	Average
0	0.1%	0.1%	0.4%	0.2%	0.0%	0.0%	0.1%
1	1.0	12.6	3.7	2.0	0.5	3.1	3.8
2	21.5	19.4	13.2	13.8	9.9	12.4	15.0
3	32.7	25.1	26.9	30.5	27.0	29.0	28.5
4	49.1	39.0	38.5	41.0	36.9	38.7	40.5
5	54.5	59.2	59.0	60.7	58.1	59.3	58.5
6	71.1	73.8	73.9	75.1	73.5	74.3	73.6
7	75.1	78.2	77.7	78.5	76.5	77.2	77.2
8	79.3	82.2	81.6	82.0	79.9	80.6	80.9
9	85.5	87.8	87.2	87.4	85.9	86.3	86.7
10	92.6	93.7	93.4	93.6	92.8	93.1	93.2
11	97.9	98.1	98.1	98.2	98.0	98.1	98.1
12	99.7	99.7	99.7	99.8	99.8	99.8	99.7
13	100.0	99.9	100.0	100.0	100.0	100.0	100.0
14	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	4.2	4.5	4.6	4.5	4.6	4.5	4.5

Exhibit 9C
New York Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.0%	0.5%	0.1%	0.0%	0.3%	0.3%	0.4%	0.5%	0.6%	0.9%	0.1%	0.3%
1	0.5	1.0	0.6	0.6	0.7	0.6	0.6	0.6	0.9	1.2	0.2	0.7
2	1.6	2.3	2.2	1.9	2.0	1.6	1.7	1.4	2.0	3.0	0.7	1.9
3	3.5	7.3	6.9	5.1	4.9	3.8	3.3	3.5	6.2	7.1	1.7	4.8
4	10.0	13.5	9.8	11.7	11.5	9.0	6.8	10.6	13.1	13.9	3.4	10.3
5	14.9	21.2	16.5	16.5	18.6	15.4	16.2	19.4	21.6	22.4	5.5	17.1
6	20.9	26.9	22.4	23.4	23.5	25.7	25.6	28.3	30.2	30.9	13.1	24.6
7	27.3	34.0	35.9	31.8	35.9	37.6	37.0	39.1	40.7	41.3	26.2	35.1
8	42.3	41.7	43.7	44.7	47.3	48.2	46.5	47.9	49.3	49.8	37.0	45.3
9	46.9	48.4	53.3	53.1	54.5	54.8	51.8	52.7	53.8	54.3	42.9	51.5
10	55.3	63.1	64.7	63.2	63.2	62.9	58.6	58.9	59.8	60.2	50.5	60.0
11	67.0	73.6	73.2	71.1	70.4	69.6	65.0	64.9	65.6	66.0	57.8	67.7
12	75.3	80.9	79.3	77.0	75.8	74.9	70.1	69.9	70.5	70.8	63.8	73.5
13	81.2	86.0	83.7	81.3	79.9	78.9	74.2	73.8	74.2	74.5	68.5	77.8
14	85.8	89.9	87.3	84.9	83.3	82.3	77.9	77.4	77.8	78.1	73.0	81.6
15	88.0	91.4	89.2	87.2	85.9	85.0	81.3	80.9	81.2	81.4	77.1	84.4
16	90.9	93.6	91.9	90.4	89.4	88.7	85.9	85.6	85.9	86.0	82.7	88.3
17	92.1	94.4	93.0	91.6	90.8	90.2	87.8	87.5	87.7	87.9	85.0	89.8
18	95.7	96.9	96.1	95.4	94.9	94.6	93.3	93.2	93.3	93.3	91.8	94.4
19	97.5	98.2	97.8	97.4	97.1	96.9	96.2	96.1	96.1	96.2	95.3	96.8
20	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median In Years	9.4	9.1	8.7	8.6	8.4	8.3	8.7	8.4	8.2	8.1	9.9	8.8

Exhibit 9D
Rhode Island Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.3%	0.2%	0.1%	0.1%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
1	1.6	0.6	0.6	0.8	1.7	0.9	6.6	1.3	6.2	4.0	2.4
2	4.3	3.1	1.9	3.0	13.4	3.9	12.4	7.1	9.1	7.6	6.6
3	10.0	5.5	10.4	15.8	27.7	16.1	20.4	20.9	23.0	21.4	17.1
4	19.6	10.7	15.8	34.0	44.1	24.1	33.9	34.4	36.5	34.9	28.8
5	21.8	34.2	24.8	58.5	51.1	38.8	47.4	47.1	48.3	47.5	42.0
6	40.0	44.5	43.7	60.1	61.0	51.3	58.1	57.8	59.0	58.3	53.4
7	60.9	70.3	44.9	68.1	68.7	61.0	66.6	66.1	67.1	66.5	64.0
8	78.8	72.5	67.4	80.6	80.6	76.1	79.7	79.1	79.9	79.4	77.4
9	78.2	77.1	73.0	83.9	83.9	80.0	83.2	82.4	83.1	82.8	80.8
10	83.9	81.8	78.6	87.2	87.2	83.9	86.7	85.8	86.3	86.2	84.7
11	87.8	85.8	83.4	90.2	90.0	87.4	89.8	88.8	89.3	89.2	88.2
12	91.1	89.8	87.8	92.9	92.7	90.8	92.7	91.7	92.3	92.2	91.4
13	94.4	93.7	92.3	95.7	95.3	94.2	95.5	94.7	95.2	95.2	94.6
14	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	6.5	6.2	7.2	4.7	4.8	5.9	5.2	5.3	5.2	5.2	5.7

Exhibit 9E
South Carolina Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.1%	0.3%	4.9%	0.2%	1.5%	0.1%	1.5%	0.1%	0.3%	0.2%	1.3%	1.0%
1	8.8	7.7	11.7	2.7	7.9	2.0	5.7	5.8	5.4	9.9	7.0	6.8
2	12.2	22.0	26.0	18.4	22.5	20.5	29.7	28.2	22.9	26.6	24.2	23.0
3	23.2	49.3	53.3	29.0	35.6	48.7	43.8	44.7	42.2	45.2	43.2	41.7
4	40.5	60.0	72.6	58.2	71.3	69.8	69.6	67.9	66.2	68.0	66.9	64.6
5	46.7	73.9	82.7	83.4	81.9	83.8	82.7	81.9	80.9	81.9	81.3	78.3
6	61.0	82.9	87.8	87.5	89.2	87.8	87.0	86.5	85.7	86.5	86.0	84.4
7	76.0	87.5	90.6	89.3	92.8	91.9	91.4	91.0	90.4	91.0	90.7	89.3
8	96.0	90.5	96.3	94.7	96.4	95.9	95.7	95.5	95.2	95.5	95.3	95.2
9	100.0	98.6	99.5	99.0	99.3	99.2	99.2	99.1	99.1	99.1	99.1	99.2
10	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	5.2	3.1	2.9	3.7	3.4	3.1	3.2	3.2	3.3	3.2	3.3	3.4

Exhibit 9F
Texas Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.2%	3.4%	0.1%	0.0%	0.0%	0.3%	0.5%	0.0%	0.1%	0.3%	0.5%
1	5.1	8.1	2.6	0.7	5.5	2.3	6.1	0.9	2.6	1.3	3.5
2	18.8	13.3	4.7	15.1	14.0	17.8	18.3	17.9	17.3	16.2	15.3
3	28.1	22.2	12.6	27.3	30.4	29.2	40.7	27.7	27.2	26.2	27.2
4	52.1	32.0	20.2	32.4	49.0	52.6	56.8	47.2	46.9	46.2	43.5
5	66.9	43.5	44.3	37.4	62.1	74.5	76.8	71.7	71.5	71.1	62.0
6	74.7	51.7	47.0	60.6	75.2	83.3	84.8	81.4	81.3	81.1	72.1
7	77.2	57.4	52.5	71.0	81.7	87.7	88.8	86.3	86.2	86.0	77.5
8	77.7	66.4	59.3	75.1	84.3	89.5	90.4	88.3	88.2	88.0	80.7
9	78.0	72.0	66.1	79.3	86.9	91.2	92.0	90.2	90.2	90.0	83.6
10	84.4	77.6	72.9	83.4	89.5	93.0	93.6	92.2	92.1	92.0	87.1
11	88.3	83.2	79.7	87.6	92.2	94.7	95.2	94.1	94.1	94.0	90.3
12	92.2	88.8	86.4	91.7	94.8	96.5	96.8	96.1	96.1	96.0	93.5
13	96.1	94.4	93.2	95.9	97.4	98.2	98.4	98.0	98.0	98.0	96.8
14	98.0	97.2	96.6	97.9	98.7	99.1	99.2	99.0	99.0	99.0	98.4
15	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	3.9	5.8	6.5	5.5	4.0	3.9	3.6	4.1	4.1	4.2	4.4

Exhibit 10
Discounted Reserves

Year-End 1985	Florida(1)	Kansas(2)	Massachusetts(3)	New Hampshire	New York
Invested Assets	$35,557,723	$5,780,445	$308,644,984	24,514,859	330,158,197
Discounted Reserves	34,704,948	3,425,296	490,952,663	34,822,576	334,603,512
Difference	852,775	2,355,149	(182,307,679)	(10,307,717)	(4,445,315)

Year-End 1985	Pennsylvania(4)	Rhode Island	South Carolina(5)	Texas	Wisconsin
Invested Assets	$46,252,509	$47,690,134	$18,803,355	57,551,478	67,292,777
Discounted Reserves	40,413,518	126,158,406	22,912,118	47,393,060	60,748,581
Difference	5,838,991	(78,468,272)	(4,108,763)	10,158,418	6,544,196

(1) Discounted 6-30-86 reserve, invested assets at 12-31-85
(2) Discounting assuming short runoff
(3) Discounting assuming long runoff
(4) Statutory reserve discounted at 6%
(5) Discounted developed 6-30-86 reserve, invested assets at 12-31-85

Exhibit 11
Current Invested Assets vs. Reserve Runoff

Year	New Hampshire		Rhode Island		South Carolina		New York	
	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets
1985		$ 24,514,859		$ 47,690,134		$ 18,803,355		$330,158,197
1986	$ 6,980,136	18,713,762	$20,631,402	29,158,560	$6,613,602	13,164,126	$60,496,000	287,721,031
1987	7,503,226	13,053,896	22,903,284	8,879,546	6,659,888	7,903,892	59,313,000	260,744,092
1988	7,644,507	6,695,235	25,568,960	(15,890,255)	5,492,701	3,251,560	55,742,000	234,306,299
1989	6,643,343	711,392	22,632,550	0	4,318,580	(721,303)	50,251,000	210,388,247
1990	6,470,272	(5,688,805)	20,062,488	0	2,596,681	0	43,347,000	190,686,120
1991	4,019,995	0	16,515,566	0	1,451,790	0	43,058,000	169,058,733
1992	2,056,685	0	13,531,231	0	1,100,394	0	43,785,000	144,273,711
1993	2,038,421	0	11,566,164	0	749,172	0	37,442,000	123,046,180
1994	2,066,237	0	6,509,116	0	399,656	0	29,137,000	107,737,953
1995	1,666,033	0	5,882,892	0	79,676	0	29,292,000	90,554,282
1996	927,540	0	4,961,412	0	0	0	26,876,000	73,855,393
1997	266,170	0	4,386,821	0	0	0	23,830,000	58,325,768
1998	30,395	0	3,309,511	0	0	0	20,396,000	44,484,817
1999	458	0	2,398,760	0	0	0	19,225,000	30,259, 326
2000	342	0	0	0	0	0	16,223,000	17,437,076
2001	0	0	0	0	0	0	16,378,000	3,018,774
2002	0	0	0	0	0	0	9,202,000	(5,843,955)
2003	0	0	0	0	0	0	12,100,000	0
2004	0	0	0	0	0	0	5,800,000	0
2005	0	0	0	0	0	0	6,004,000	0
Remaining Liability	$18,761,081		$127,646,766		$7,098,672		$29,747,955	

Exhibit 12A
Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	20.9%	20.9%	7-9-78
1979	-24.8%	-24.8%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	10.0%	10.0%	6-29-81
1982	30.4%	30.4%	9-9-82
1983	25.4%	25.4%	6-28-83
1984	77.6%	77.6%	6-1-84
1985	46.4%	46.4%	7-1-85

Florida Rate Filings for Hospitals and Other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	-8.6%	-8.6%	7-9-78
1979	-19.6%	-19.6%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	17.3%	17.3%	6-29-81
1982	29.5%	29.5%	9-9-82
1983	50.4%	50.4%	6-28-83
1984	41.4%	41.4%	6-1-84
1985	6.2%	6.2%	7-1-85

Exhibit 12B
New Hampshire Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978			
1979			
1980	45.0%	45.0%	6-24-80
1981	50.0%	50.0%	6-2-81
1982	70.0%	70.0%	6-9-82
1983	30.0%	30.0%	6-83
1984	Basic 5.1%	5.1%	6-13-84
	Excess 15.0%	15.0%	6-13-84

Exhibit 12C
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0%	Disapproved	6-78
1979	104.0%	Disapproved	6-79
1980	186.0%	Disapproved	6-80
1981	210.0%	58.5%	10-81
1982	243.0%	15.0%	12-82
1983	180.0%	83.3%	1-85
1984	62.0%	52.3%	1-85
1985	128.0%	14.0%	7-86

Exhibit 12D
Rhode Island Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	34.1%		No hearing
1979	9.7%	9.7%	6-27-79
1980	25.3%		Withdrawn
1981	Basic 7.4%		
	Excess 12.7%		
	Total 21.0%	12.7%	6-17-81
1982	Basic 41.3%	23.1%	6-23-82
1983	Basic 43.3%	24.0%	6-30-83
	Excess 24.7%		
1984	Basic 44.6%	11.5%	6-27-84
	Excess 25.9%	16.7%	
1985	Basic 101.3%	30.0%	6-28-85
	Excess 14.8%	14.8%	
	Total 131.3%		

Exhibit 12E
South Carolina Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%	50.0%	7-1-77
1978	Hospital	133.0%	133.0%	7-1-78
1979				
1980				
1981	Physicians	40.0%	40.0%	7-1-81
1982				
1983	Physicians	25.0%	25.0%	7-1-83
	Hospital	20.0%	20.0%	7-1-83
1984				
1985	Physicians	25.0%	25.0%	1-1-85
	Hospital	40.0%	40.0%	1-1-85
1986	Physicians	30.0%	30.0%	1-9-86
	Hospital	45.0%	45.0%	1-9-86

Exhibit 12F
Texas Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1979			
1980			
1981	50.0% (A)	Disapproved	4-16-81
1982			
1983	263.0% (B)	263.0%	11-10-83
1984			
1985	50.0% (C)	50.0%	5-21-85
	50.0% (D)	50.0%	10-29-85

(A) Hospital
(B) Dentists and oral surgeons
(C) Physicians, surgeons, hospitals, and other institutions
(D) Podiatrists